PLANNING ENVIRONMENT ASSESSMENT DOCUMENT

TRENDS AND PERSPECTIVES

Strategic Policy and Planning
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PART I: INTRODUCTION

With rapid advances in transportation and communications since the last world war, political, economic and social interactions have multiplied within and across societies and now reach to all corners of the earth. This has been accompanied by a growing consciousness of how others live their lives elsewhere, and has led to an increased sense of responsibility for others, as the Canadian response to the Ethiopian crisis has demonstrated. The now frequent satellite pictures of planet earth, as a single entity from spacecrafts, have contributed significantly to the growing consciousness of the finite qualities of Earth and of its natural resources. Because these trends are affecting almost all societies in similar ways, patterns in the shift in consciousness of societies are becoming more alike and are tending to reinforce changes in any one society. This is a fast-shrinking world.

There are great advantages to Canadians in living in this new world. They range from the greater choice of goods and services to the ethnic diversity of Canadian society and the stimulation of new ideas and perceptions. But there are also drawbacks and challenges. Canadians are not simply living in an interdependent world; they are locked into a world system. Increasingly change elsewhere now has a very significant impact on our prospects for personal and societal development. In this new environment, the task of governments to facilitate the creation and maintenance of economically and socially productive settings for the development of societies and of citizens who live within them has become increasingly complex and difficult. To accomplish this task now calls for a far greater understanding than in the past of the changes in the component parts of the planning environment, both within and outside Canada, and in the very nature of contemporary societies, more generally.

It is to provide the background information on the planning environment thought to be relevant to support the strategic planning function of Employment and Immigration Canada (EIC) that this Planning Environment Assessment Document was prepared. The paper is structured in three parts:

i) an analysis of trends in the socio-economic environment of direct relevance to immigration and labour market policies. In particular, this part of the paper examines trends in international population movements and Canadian demographic prospects, trends in the global and Canadian economies, trends in the labour market and in the social environment.

ii) an analysis of how Canadians perceive the changes occurring in our society and of how these perceptions translate into expectations regarding the settings for societal development. In this part, the views of the provinces, business and labour, individuals and voluntary sector interest groups on issues of concern to EIC are presented. Views of the federal government, as expressed in its economic and social agenda, are also discussed as they not only provide a framework for the policies of EIC, but a reference point against which the expectations of the other partners can be assessed in discussions of possible future directions for public policy.

iii) a short concluding chapter on the nature of modern societies and on the factors which may influence the scope and direction of change which could take place in the future.

The Planning Environment Assessment Document is not a policy document, nor should it be seen as providing an approved and accepted basis for the policies of EIC. It offers a cross section of future-oriented and factual background information which, along with other kinds of information, can contribute to the policy-making process. Its purposes are to acquaint managers with the evolving planning environment and to stimulate discussions, at all levels of the organization, about (i) challenges and opportunities which could arise from the trends and affect the continued relevance and achievement of EIC's Mandate, Objectives and Management Philosophy (ii) gaps in policy development in the light of the trends, and (iii) new internally and externally-oriented policies which could respond to the changes anticipated in the environment.

A wide variety of information from varied sources is brought together in this Planning Environment Assessment Document. Selectivity had to be exercised to keep the document manageable. In this year's version, few changes other than to update the data, were made to the sections on Canadian demographic patterns and, to a lesser degree, to the sections on the supply of labour and some sections of the social environment. However, considerable effort went to strengthening the conceptual structure of the paper and the data base in the other sections. Environmental scanning is an incremental process and the information base should continue to improve in each yearly edition.

PART II: TRENDS IN SOCIETY

I. INTRODUCTION

This part of the document presents data about the evolving nature of the demographic, economic and labour market environments with which EIC's policies have been most directly concerned historically; and discusses some of the social implications of the trends in these areas. In addition, attention is drawn throughout the text, and in the section in lifestyles in particular, to the socio-cultural factors which influence demographic and market trends. The interplay of these factors in leading to further changes in the two spheres of life in our society is also stressed.

2. THE POPULATION

For EIC, it is very important to understand the demographic environment since trends in this area affect both the labour market and the immigration dimensions of its mandate. In shaping the country's source population, demographic factors set the size and structure of the potential labour force and, among demographic factors, immigration is a key determinant of source population growth, composition and distribution. In this section, we will examine Canadian demographic patterns against the background of trends in international population movements.

A. International Population Movements

Throughout history, people have moved from country to country and from one area of the world to another. Their reasons have been many and varied. Lack of adequate income or work at home, or the perception that things are better elsewhere, have driven uncounted millions to forsake the country of their birth. Political, religious and racial persecution or the threat of it, have likewise persuaded many to seek a new life elsewhere.

Until the early 1970s, the major patterns of international migration were typified by a traditional movement overseas with the intention of permanent settlement and the movement of migrant workers from Southern to

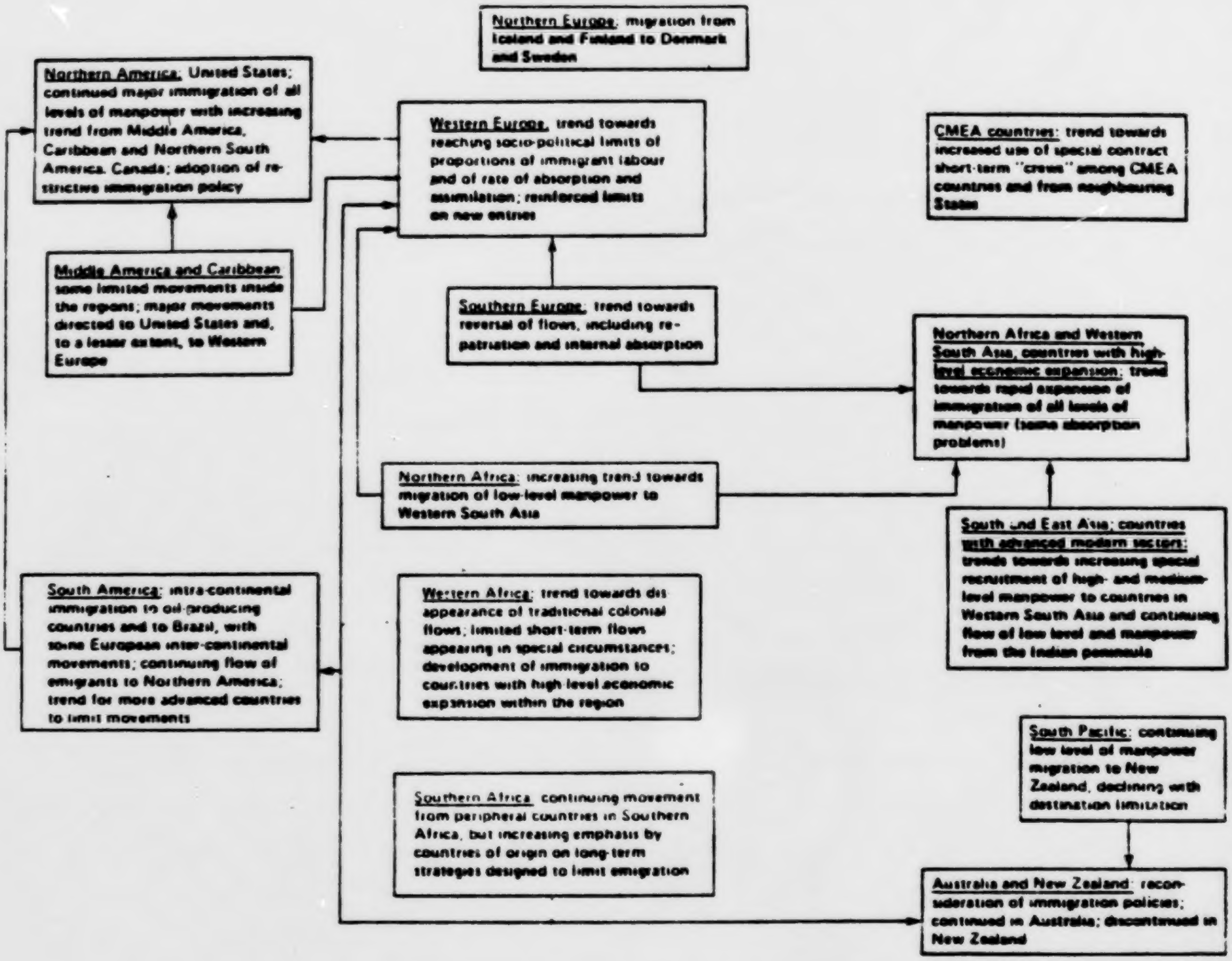
Northern Europe who expected (and were expected) eventually to return home. A third pattern saw the movement of the residents of former colonies to Europe, particularly to Britain and France, who had certain rights to enter and remain in the receiving country.

Since the mid-1970's, migration has become increasingly related to the issues of economic disparity between nations and closely linked to political instability in many countries. Generally, patterns of migration have followed trends in long-term demographic and economic development - South-North - and have affected the majority of developed countries. Migration from developing countries is expected to continue despite substantial unemployment in developed nations and the differences in economic performance among them. However, as economic growth has slowed in developed countries, there has been a trend in certain countries towards restricting admission of labour-market directed immigrants. For example, northern European nations, in attempting to reduce the inflow of temporary migrants and encourage those already in residence to return to their own countries, now face considerable problems of resettlement. Other problems in these and other societies include increases in illegal immigration with greater pressure on systems of detection and control, growing needs for resettlement programs - particularly in the area of family reunification - as well as a heightened political profile and public interest in immigration issues in general.

The following diagram gives an overview of recent international migration flows and of the immigration policies of blocs of countries and suggests what future trends might be. It should be noted that, since this diagram was compiled, Canada has adopted a policy of controlled increase in immigration for 1986 and 1987.

Diagram 1

International Migration: Recent Flows and Future Prospects


Northern Europe: migration from Iceland and Finland to Denmark and Sweden
Northern America: United States; continued major immigration of all levels of manpower with increasing trend from Middle America, Caribbean and Northern South America. Canada; adoption of restrictive immigration policy
Western Europe, trend towards reaching socio-political limits of proportions of immigrant labour and of rate of absorption and assimilation; reinforced limits on new entries
CMEA countries: trend towards increased use of special contract short-term "crews" among CMEA countries and from neighbouring States
Middle America and Caribbean some limited movements inside the regions; major movements directed to United States and, to a lesser extent, to Western Europe
Southern Europe: trend towards reversal of flows, including repatriation and internal absorption
Northern Africa and Western South Asia, countries with high-level economic expansion: trend towards rapid expansion of immigration of all levels of manpower (some absorption problems)
Northern Africa: increasing trend towards migration of low-level manpower to Western South Asia
South and East Asia; countries with advanced modern sectors: trends towards increasing special recruitment of high- and medium-level manpower to countries in Western South Asia and continuing flow of low level and manpower from the Indian peninsula
South America: intra-continental immigration to oil-producing countries and to Brazil, with some European inter-continental movements; continuing flow of emigrants to Northern America; trend for more advanced countries to limit movements
Western Africa: trend towards disappearance of traditional colonial flows; limited short-term flows appearing in special circumstances; development of immigration to countries with high-level economic expansion within the region
South Pacific: continuing low level of manpower migration to New Zealand, declining with destination limitation
Southern Africa continuing movement from peripheral countries in Southern Africa, but increasing emphasis by countries of origin on long-term strategies designed to limit emigration
Australia and New Zealand: reconsideration of immigration policies; continued in Australia; discontinued in New Zealand

Source: United Nations, World Population Trends and Policies, New York

Later in the paper, we will examine trends in the global economy and highlight the poor economic prospects for some developing countries and for counfries of the Sub-Sahara region. These factors, together with continued high population growth, are likely to surface major instabilities leading to pressures for emigration. In this context, sudden waves of refugee movements may occur and, as a result, there may be pressures on developed countries to absorb substantial proportions of them. Further, it is expected that over the medium term the flow of refugee claimants into Canada will continue to increase as the country remains one of the few open industrialized countries for migrants in search of political asylum.

Summary

- Patterns of international migrations have been changing and increasingly linked to issues of economic disparity and political instability;
- Economically developed nations continue to be concerned about the impact of immigration on their labour markets;
- In light of poor economic prospects for some developing countries and countries of the Sub-Sahara region, together with high population growth, it is expected that movements of refugees will not subside.

B. Canadian Demographic Patterns

Against this international background, this section examines trends in natural population increases and immigration, and assesses the potential impact of their combined effects on overall population levels. Patterns of population composition and distribution are also examined.

1. Population Growth

The four main determinants of population growth are births, deaths, immigration and emigration. The difference between births and deaths is referred to as the 'natural' increase while (international) net immigration is the (historically positive) difference between immigration and emigration.

In the hundred and thirty years since the first census, the population has increased by a factor of about ten to its 1981 level of just over twenty-four million. During this time, average annual growth has exceeded one per cent and in three particular decades, grown at rates over two-and-a-half per cent. The rate of growth is now around one per cent.

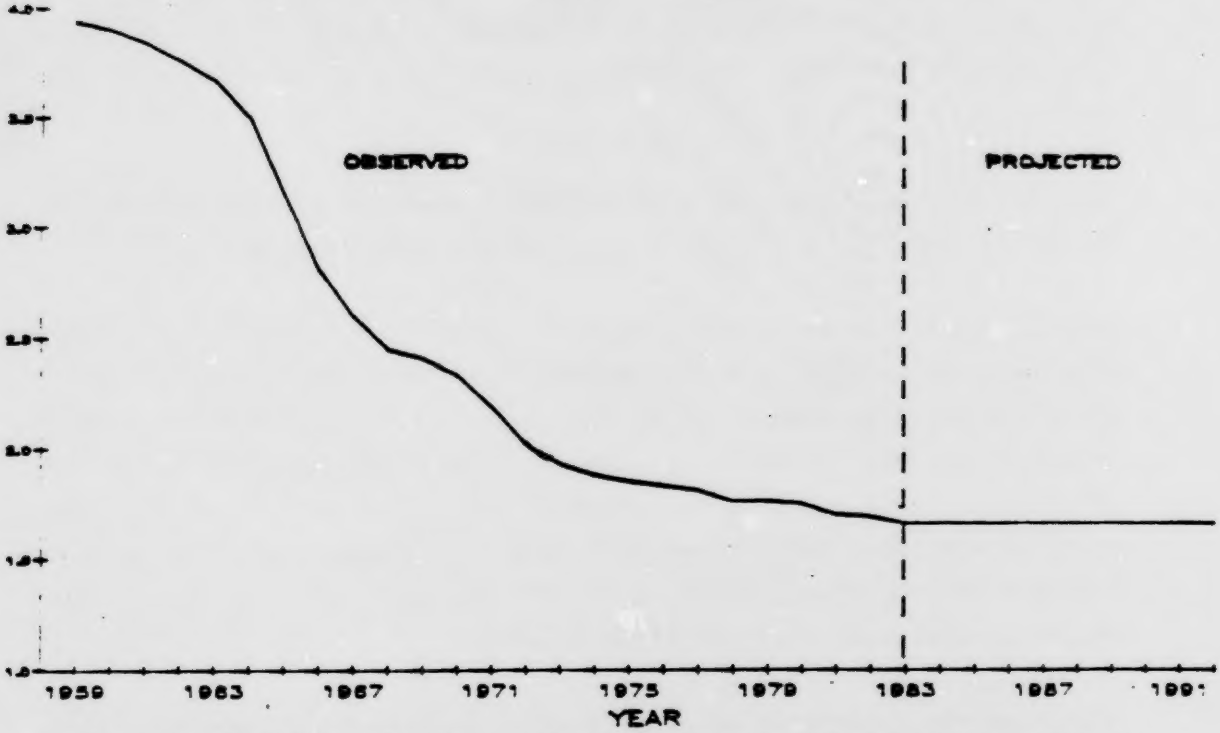
Traditionally, some four-fifths of population growth has been contributed by natural increase and the balance by international migration.

One approach to understanding trends in births is to examine the fertility rate (average number of births women would have over their life time). Over the last half-century or so, the aggregate fertility rate has varied widely in Canada. In 1921, for example, it was 3.5, falling to 2.7 in the late 1930s. From there, it rose to its highest level in 1959 at 3.9 - the midst of the baby boom - has been slowly declining ever since, and is forecast by Statistics Canada to remain constant until the end of the decade at 1.66 as is shown in Chart 1 below.

Based on the experience of other Western industrialized countries, such as West Germany (1.4) and Sweden (1.5), this rate could fall further to close to 1.5. Whether it would rise again after falling to this low level, as has been experienced in Denmark, is unknown. It is important to note, however, that the birth rate in Canada is now considerably lower than the rate of slightly over 2.1 which would, in the absence of all other influences on population change, result in a stable population (the replacement rate).

Chart 1

TOTAL FERTILITY RATE FOR CANADA
1959 – 1992



Source: Based on data from: Statistics Canada, Vital Statistics, Vol. 1, Births and Deaths, Cat. No. 84-204, annual, various issues, and Population Projections for Canada, Provinces and Territories 1984-2006, Cat. 91-520, Occasional (Projection No. 3).

Based on the scenario used by Statistics Canada which assumes a constant fertility rate, the number of births will decrease from just over 376,000 in 1984/85 to 365,000 in 1991/92. In light of life expectancies of men and women (which have been increasing, but particularly so for women), deaths are expected to increase from 182,000 in 1984/85 to over 199,000 in 1991/92. As a result, a sharp decline in natural increase from over 194,000 in 1984/85 to 166,000 in 1991/92 is projected. For the period, this represents a decline in the rate of natural increase from 0.77 to 0.62.

In this context, trends in the immigration area are very relevant to the discussion of overall population growth for Canada in the future.

Since 1978, the Government has formally determined gross immigration levels following consultation with the provinces. Since 1981, a range for up to three years has been specified and the following table based on a current Immigration Group discussion paper, shows a comparison between announced and actual levels for 1979-1984 and includes the range determined in November last year for 1985.

Table 1

Immigration Levels

1979-1985

Year	Announced	Actual
1979	100	112.1
1980	120	143.1
1981	130-140	128.6
1982	130-135	121.1
1983	105-110	89.2
1984	90-95	88.0 (preliminary)
1985	85-90	--

Source: EIC Immigration, Policy Program Development Branch.

The announced levels were exceeded in 1979 and 1980 because of the Indochinese Refugee Program while the 1981 figure is considered to have been acceptably close to the lower end of the range. However, there has been a shortfall since 1982 as a result of the recession and the consequent freeze on selected workers. The following scenarios clearly indicate what the impact on population will be in the long term if immigration levels remain low.

The projections cited above in connection with natural increase postulate an average of 50,000 per annum net immigration (100,000 gross immigration - estimating a level of 50,000 emigration) between 1984/85 and 1991/92. If the competition for available jobs intensifies in the current context of slow growth, high unemployment and the aging of the labour force, the overall out-migration flow (and that of young people in particular) may increase over the planning period. The likelihood of this occurring would be higher if the performance of the US economy continues to be stronger than that of Canada.

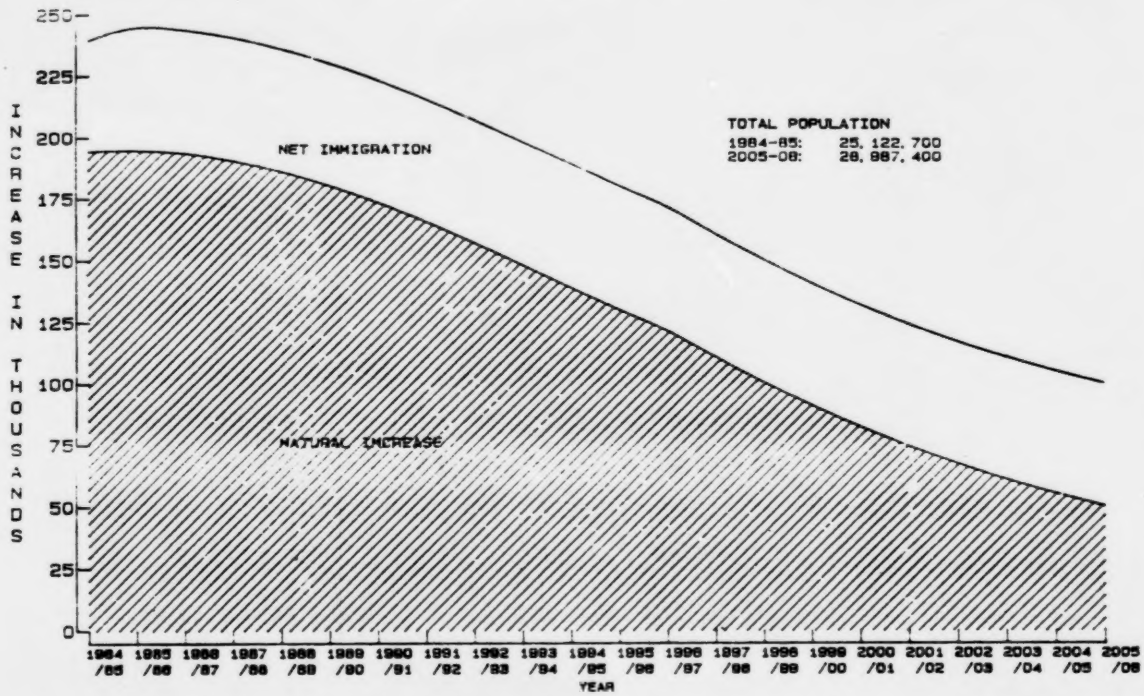
When both natural increase and net immigration are taken into account, assuming a fertility rate of 1.66 and net immigration of 50,000 for the planning period, Statistics Canada estimates that total population will increase at the low average of close to 237,000 a year. This growth pattern would result in a population of 26.8 million in 1991/92, and translate into an annual average rate of increase of marginally less than one per cent.

The downward trends in natural population increase and overall population increase are significant during the planning period. However, their full impact in policy terms, particularly with respect to immigration policy, can best be understood if a longer term perspective is adopted.

When the Statistics Canada scenario used thus far is extended to cover the period extending from 1984/85 to 2005/06, it can be expected that natural increase overall will have contributed some 70 per cent to total population growth by the end of the reference period. However, since the assumed fertility rate of 1.66 is below replacement, its relative contribution during the same period to population growth will have declined in comparison to that of net immigration. The importance of net immigration, even though it is assumed to remain at a constant level of 50,000, would rise from 23.2 per cent in 1991/92 to almost 50 per cent in 2005/06. This can be seen clearly on Chart 2. According to this projection, positive natural increase is expected to cease at some point in the next 25 to 30 years. This implies that thereafter, immigration would be the only source of population growth open to the country.

Chart 2

COMPONENTS OF POPULATION GROWTH



SOURCE: STATISTICS CANADA, 'POPULATION PROJECTIONS FOR CANADA, PROVINCES AND TERRITORIES, 1984-2006', MAY 1985, CAT. NO. 91-520, OCCASIONAL. (PROJECTION NO. 3)

Recent demographic work in the United States introduced a concept called 'ISOPOPS' which, when applied to population projections, demonstrates that a constant less-than-replacement fertility rate combined with a constant level of net immigration results over time in a population which peaks and thereafter declines in absolute terms to arrive eventually at a stationary state. Table 2 below illustrates this concept, keeping the fertility rate constant at 1.7 for varying levels of net immigration.

For example, with a fertility rate of 1.7 and net immigration of 50,000, the population would peak at about 29,400 somewhere around the year 2021. Thereafter, it would continue to decline until it stablizes at around ten million in about 2180. The effect of a higher fertility rate (but still

Table 2

Population Projections: Canada 1981-2041

(Fertility Rate: 1.7)

	Net Immigration	(000's)	
Year	**0**	**50.0**	**100.0**
1981	24,341.7	24,341.7	24,341.7
1991	26,223.4	26,775.1	27,319.3
2001	27,067.6	28,227.8	29,372.0
2011	27,272.8	29,049.5	30.817.4
2021	27.016.8	29,442.3	31,855.4
2031	25,886.9	28,957.4	32,006.2
2041	24,285.4	27,970.5	31,620.7

Source: Population Projections Section, Demography Division, Social Statistics Field, Statistics Canada (Special run for EIC Immigration, May 1984).

below replacement) or of higher immigration levels would serve only to delay the peaking effect. It should be noted that the ratio between maximum population levels in different net immigration scenarios would become higher as the level of net immigration increases.

Given that immigration is the component of population growth over which government has most discretionary power, pressures have arisen to examine immigration policy in the context of a broader demographic policy for Canada. In order to accomplish this, the Government has announced that there will be an enquiry into the precise linkage between the Immigration Program and Canada's population. To be comprehensive, this assessment will consider the economic and social implications of the future size, rate of growth and structure of the Canadian population. The comprehensive review will provide the background and necessary knowledge for immigration policy development in the future. In the meantime, levels for 1986 and 1987 have been announced which will permit a controlled increase of up to 115,000 and 125,000 immigrants respectively. These increases reflect current concerns about declining population levels and the possibly negative impact on Canada's prospects for continuing economic growth.

2. Population Composition

The dimensions of population composition to be discussed in this section are the age/sex distribution and ethnic origin.

As the rate of natural increase declines in a society, the population undergoes a process of aging. The occurrence of this phenomenon is clearly demonstrated by the expected evolution of the following demographic measures of age/sex distribution in the population over the next twenty years shown in the table below.

Table 3

Selected Indicators of Aging 1984-2006

	1984	1995	2006
Ratio of Males to Females	0.980	0.977	0.973
Median Age (years)	30.8	35.1	39.7
Proportion 65 Years & Over (%)	10.2	12.7	14.2

Source: Statistics Canada, Population Projections for Canada, Provinces and Territories, 1984-2006, Cat. No. 91-520, Occasional (Projection No. 3), May 1985

The aging phenomenon can also be seen clearly from the following table showing trends in the proportions of people by age and sex categories. Accounting for the passage of the baby boomers of the late '50s and early '60s through the 25-44 age group, which has the effect of swelling that age category during the planning period, the trend towards decreasing proportions of people in the 15-24 age groups and continuously increasing proportions in each of the older categories in that same period is very evident.

Table 4

Trends in Age/Sex Composition of the Future Potential Labour Force Component of the Population

Sex and Age (Years)	1984	1995	2006
Male	49.0	48.9	48.9
15-24	11.5	8.5	8.2
25-44	19.9	20.4	17.3
45-64	12.1	13.2	16.0
65 +	5.5	6.8	7.4
Female	51.0	51.1	51.1
15-24	11.1	8.2	7.8
25-44	19.9	20.3	16.7
45-64	12.5	13.5	16.8
65 +	7.5	9.1	9.8
Total	100.0	100.0	100.0

Source: Statistics Canada, Population Projections for Canada, Provinces and Territories, 1984-2006, Cat. No. 91-520, Occasional (Projection No. 3), May 1985.

As a consequence of the aging of the population, a long-term upward trend is expected for the dependency rate, which represents the proportion of economically-inactive people in the population (including those who are either too young or too old to work). In Canada, this ratio will increase quite sharply over the planning period from 58.7 per cent in 1984 to 59.6 per cent in 1991 because, in addition to the increasing charge for old people, the baby-boomers of the late '50s and early '60s will be passing through their prime child-bearing years in the 1980s.

In societal terms, these trends suggest that there will be upward pressure on the level of social expenditures directed to the older segment of our population (such as for pensions and health care), and on initiatives directed towards providing leisure or socially satisfying activities for older people. In a recent article, 'The Demographic Future of Fiscal Federalism,' David Foot calculated that it costs Canadian governments two-and-a-half times as much to maintain an elderly person on public programs as it costs for a young person. However, when broken down by level of government, the comparable figure for the federal government is nearly eight-and-a-half times. In a context of low growth and consequent constraints on fiscal resources, this may place further restrictions on labour market expenditures.

Given the economic prospects over the planning period, it can be expected that the competition for scarce jobs will increase and that young people, although declining in numbers, will continue to experience difficulties in integrating into the labour market as the proportions of older and more experienced workers increase. These questions will be further discussed in the section of the document on labour supply trends.

An important element of Canada's character is its ethnic configuration which has been derived from its Native population and immigration history.

It is uncertain what the exact size of the Native population is. The 1981 Census was the first Census to try estimating the size of all Native groups (Status Indians, Metis, Non-status Indians and Inuit) by asking respondents to identify their ancestry through both their father and mother. The results of this self-reporting establishes the level of the Native population at slightly over 491,000 individuals or 2 per cent of the Canadian population. A combination estimate for 1981 by DIAND and Secretary of State, which also uses Census Inuit figures, puts the Native population at close to 800,000.

It would appear that the most reliable figures for Status Indians (30 per cent of total Native population) are those maintained by DIAND. Their estimates suggest that the mid-1960s birth rate was more than twice the national average. This has steadily declined since that time and the natural rate of increase of registered Indians is now projected to be much the same as that of the rest of the population for the first half of the 1980s. According to the 1981 Census figures, the Native population is generally much younger than the Non-native population. Should the very high mortality rate for women in the main child-bearing age groups (20-44) (which is currently around twice the national average) be reduced during the latter part of this decade, there could possibly be overall appreciation in Native population increase between now and the end of the century.

Since WWII, immigration from Asia and other Third World countries has increased. For example, the proportion of Asian migrants rose from 3.9 per cent of the total during the period 1946-1967 to nearly 30 per cent in 1976 and 38 per cent in 1983. During that time span, slightly more than one-in-four immigrants came from Africa, the Middle east and South America.

It was estimated by the recent Parliamentary Special Committee on Visible Minorities that 1,854,000 people, or some seven per cent of the population, is of non-white origin including Native Canadians who would account for about 800,000 of this total, as mentioned earlier. In spite of the social importance of visible minorities in Canada, their numbers have not altered significantly the traditional configuration of the Canadian population which has resulted from our history of substantial immigration from Europe - although this situation does vary on a regional basis. The overall white/non-white mix of the population could change in the long term if there continue to be substantial increases in immigrants from developing countries. An investigation into this aspect of future immigration policy will form part of the Comprehensive Review of immigration policy referred to above.

3. Population Distribution

This section will deal briefly with two areas of population distribution/re-distribution: provincial migration and rural/urban shifts. Historically, more than sixty per cent of Canada's population has resided in Ontario and Quebec and this concentration in central Canada is likely to continue to be a key feature of population distribution.

Net international migration has been higher in Ontario than in any other province and, in fact, Ontario is the only province where immigration from abroad has been a more important factor in population growth than net interprovincial migration. Of the provinces, British Columbia, Alberta and Quebec also received large numbers of immigrants from outside Canada. There are no indications that these trends will change.

Accounting for interprovincial migration and net international immigration, various projections suggest that average population increases will be observed for Ontario, the Atlantic Provinces and Saskatchewan while less than average increases are foreseen for Manitoba and the Territories. Notwithstanding the phenomenon of return migration largely associated with the recent recession, above average increases over the long term are expected for Alberta and British Columbia.

For Québec, international in-migration has declined quite sharply since 1982 although remaining positive. However, since 1966, population losses to other provinces have been substantial - particularly in the period 1976-82 when the flight of anglophones increased the proportion of francophone residents. As a consequence, overall population growth had occurred as a result only of positive natural increase - the rate of growth of which has itself been declining since the early 1960's.

Historically, while most of the Canadian population has lived within a hundred miles of the U.S. border, significant movements from rural to urban areas have been noted through time. Although the urban share of the population is now believed largely to have stabilized at a level of 75 per cent, the following characteristics of urban growth are worth noting. More than thirteen million people live in Canada's twenty-three metropolitan areas - about 50 per cent of Canada's total population. Half of the people living in metropolitan areas now live in nine of these centres which have experienced very rapid rates of growth in the past three decades. The collective share of the metro population in those nine centres (three of which are in Ontario) increased by almost ten percentage points in the period 1951-1981. The rapid population growth in these centres has been accompanied by a growth of satellite communities and by high degrees of movement within and between metropolitan areas.

However, and more significantly, non-metropolitan areas have been growing at a faster rate than metro areas. While between 1961 and 1971, 22.4 per cent of Canada's population growth occurred in non-metropolitan areas, between 1971 and 1981 that figure had risen to 51.2 per cent. The causes of these movements are only now being explored and are believed to include such attractions as improved communications and tax incentives for businesses to (re-)locate in those areas. There is no current reason to expect that these trends towards greater concentration of people living in a small number of metropolitan areas and rapid growth in non-metropolitan areas will not continue for the rest of the decade.

Data are not immediately available on the geographic distribution of visible minorities but it is estimated that about 90 per cent of Native Canadians are located west of Quebec. Of those, more than 20 per cent are in Ontario. Visible minorities of migrant background tend to settle primarily in Quebec, Ontario, British Columbia and Alberta with an appreciable impact for these provinces. There also seems to be agreement that visible minorities tend to congregate in pockets of population within these geographical boundaries, mainly in urban areas. As will be discussed later in the social section of the paper, there are reasons to believe that although the numbers of non-white people are small, the combined effect of concentration and high unemployment may contribute, during the planning period, to a new awareness about racial tension in Canada. The case of Haitians in Montreal is illustrative of this new reality.

4. Summary

- The overall rate of growth of the Canadian population will be significantly lower than in the past and the trend downward is expected to continue;

- Net immigration is expected to become an increasingly significant factor in aggregate population growth and, if current trends continue, net immigration should overtake natural increase as the main contributor to population growth by the beginning of the next century;

- If Canada's fertility rate remains substantially below the level required to ensure the replacement of the population, and if net immigration does not increase substantially, the population level will start to decline in absolute terms in the first quarter of the next century;

- The Canadian population is aging rapidly;

- As a result of the baby-boom phenomenon, the swelling of the 25-44 age category in the general population and among Natives will be particularly significant during the planning period;

- Despite large recent and expected increases in immigration from Third World countries, the basic traditional ethnic configuration of the Canadian population is not expected to change during the mid term, although this will vary on a regional basis;

- Ontario will continue to receive a major share of net immigration;

- Above average population increases are expected in Alberta and British Columbia and below average increases likely in Manitoba, the Territories and Québec;

- Canada's metropolitan populations will be increasingly concentrated in a small number of centres but it is expected that non-metropolitan areas will grow at a faster rate in the future than metropolitan areas; and,

- The tendency of visible minorities to concentrate in specific geographic areas is not expected to change, and this, in conjunction with other economic and cultural factors, is expected to lead to increased racial tensions.

3. THE ECONOMY

Since the Second World War, there has been an increasing and seemingly irreversible trend towards the globalization of the economy and the forging of interdependent links between nations through enhanced trade and financial transactions and the integration of production. As a result, the policy choices of individual countries now have important repercussions on the opportunities and constraints faced by other countries. In the light of this interdependence, the starting point for any assessment of the Canadian economic and labour market environments must be an examination of global trends and patterns, particularly of those with the more likely direct impact on employment and immigration policies.

A. International Economy

This section examines the changing nature of the international economy as a result of technological change and the fast growing low-cost manufacturing productive capacity of developing countries and assesses strains in the global economy and prospects for global output in the mid term. As well, changing trade patterns are discussed.

1. Changing International Economy

The global economy is in the midst of a major period of accelerated transition and adjustment fuelled by a rapid rate of scientific and technological development. Many commentators suggest that after the industrial revolution of the late 18th century, the age of iron and steel, the age of electricity, this is the fourth industrial revolution dominated by micro-electronics.

The most distinctive feature of the new technologies is that they cut across, and are altering in a profound way, the full range of economic activities. In the goods-producing sector, computer-aided design, computer-aided manufacturing, robotics and automated storage and retrieval systems have the potential of revolutionizing not only the production of goods, but all activities from product design, process planning and control, materials handling, to management activities within industries and companies. By reducing waste, improving production rates, capacity utilization and/or quality control, these flexible sytems are seen as major contributors to productivity enhancement. As well, technology is combining with scientific research and development to provide new or vastly improved products utilizing micro-electronics, space age materials and composites, biotechnology and genetic engineering. While 'high' technology is given much of the attention in discussions of technological change, a gamut of new, but less sophisticated, technological developments is affecting such diverse products as soft drinks, foods, cosmetics, appliances and furnishings, home tools and automobiles, to name but a few. In the service sector, the increasing use of computers and advanced telecommunications has led to a boom in various computer related businesses and services, while other areas of the sector such as banking, financial services, teaching, and recreation are being transformed fundamentally, both in the nature and breadth of the services offered, and in the way in which they are delivered.

The widespread and increasingly rapid diffusion of technology world-wide, made possible in part by the nature of the technology and the information age, is affecting significantly the structures of economies. Nations are striving not only to automate, but to automate better, faster and more comprehensively than anybody else to gain a substantial lead in productivity, which will help to increase their competitiveness in international trade. Notwithstanding the growing global significance of the information-based economy, it would appear that it is the adoption of new technologies in the goods-producing sector which is of particular significance in terms of global competitiveness. It is the manufacturing sector which generates much of the foreign income required to maintain standards of living.

Another significant trend in the global economy, which has been changing world supply and demand patterns, has been the growing expansion of manufacturing industries and modern managerial practices in developing countries, especially in the actively emerging Newly Industrialized Countries (NICs). The increasing trend among corporations towards establishing off-coast manufacturing plants and relocating enterprises in other countries has been said to be contributing to the 'deindustrialization of America,' as was noted by the American economists, Bluestone and Harrison, in a book of this title published in 1982. According to these authors, this has been made possible by advances in transportation and communication technology whereby managers and products can be sent anywhere in the world fast, and without loss of contact.

Robert Reich, a U.S. policy advisor, summarizes well in a paper entitled, 'The Next American Frontier,' the reasons which have led to the increasing importance of the NICs. As he notes: 'Over a period of only fifteen years, many of the world's developing countries have begun to specialize in capital intensive production. Their production costs are lower than those of the United States, both because their workers are content with lower wages and because some of these countries have better access to cheaper material. Moreover, the demand for many standardized commodities has been growing faster in developing nations than in industrialized nations, whose citizens already possess these products; and it is often more profitable to manufacture them within these growing markets than it is to ship them there.'

Strains have developed in the world economy, as has been reflected in overall sluggish global growth rates in recent years.

Some industrial countries, particularly in Europe, have lagged in adopting appropriate flexible adjustment programs and have been hampered by high fiscal and trade deficits, high inflation and unemployment. These factors are limiting their capacity to meet the challenges posed by the world economy. Others, like Japan and the U.S., have adopted flexible systems for employment and labour compensation, advanced policies for deregulation of strategic economic sectors and experienced, as a consequence, high rates of economic growth and low rates of unemployment and inflation. The unilateral policies of these countries, however, have had adverse effects world-wide. In the U.S., large external deficits resulting from an increased inflow of investment funds from abroad in response to high rates of interest, and import/export imbalances brought about as a result of the high value of the dollar, are an increasing concern. In Japan, by contrast, astute trade and commercial policies have severely restricted goods imports and capital inflows and resulted in large foreign trade surpluses. This, coupled with excellent performance in R&D and robotic innovation, has resulted in a high growth rate.

The developing countries are facing particularly difficult economic times in spite of their relatively impressive performance in agriculture and manufacturing production and exports. Falling demand and declining prices as a result of the recession and slow recovery in industrial countries, have affected exports negatively. To accelerate economic growth and development, many developing countries have resorted to heavy commercial borrowings from financial institutions in developed countries. As a consequence, their debt servicing burdens (especially in many Latin American countries) have increased significantly, at the same time as earnings from foreign exchange have dropped. This, in turn, is limiting the capacity to further modernize production systems. The success stories have been the NICs, which, as noted earlier, have been helped on by international corporations based in Japan and the U.S., in particular.

World-wide, but particularly in industrial countries, there has been an important trend towards increased protectionism. In their struggle for economic survival, nations are attempting to shield their economies from the adverse effects of competition.

One area of the world facing particularly bleak prospects is the sub-Saharan Africa. In addition to economic and political problems, natural disasters like drought, famine and crop failures have damaged very critically productive capacity. It is now estimated by the World Bank that, in the recent past, living standards have deteriorated to a level almost 20 per cent below those of two decades ago. In spite of massive assistance from the international community, it is feared that these countries will not by 1990 have restored their living standards of 1980. As a result, emigration to industrialized and other developing countries has increased, placing added stress on the social and economic stability of the host countries.

2. Prospects for Economic Development

Against this background, prospects for the world economy until 1995 are predicted by major forecasters to be characterized by low rates of growth by historical standards, in both industrial and developing countries.

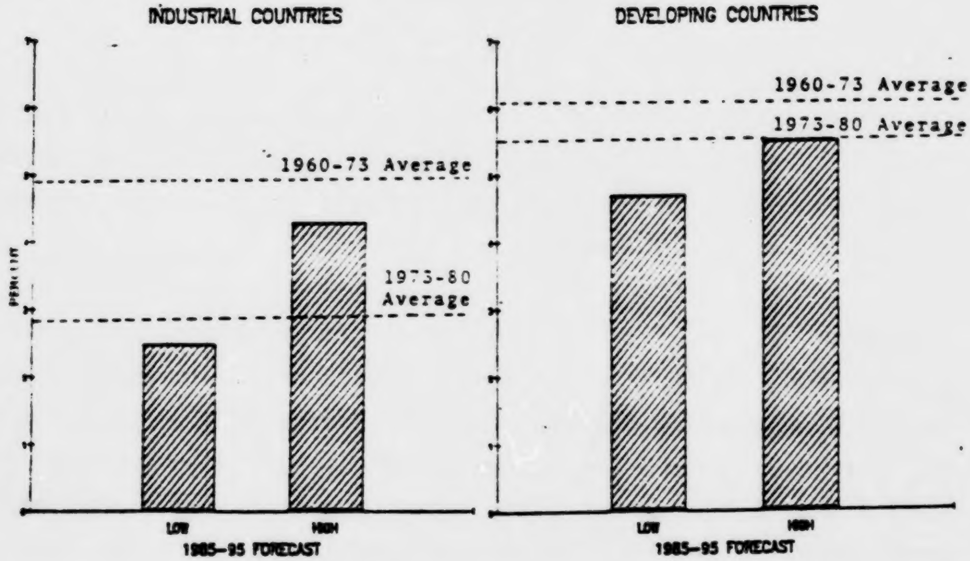
The World Bank presents two broad scenarios - the Low case and the High case - for future economic growth for the long term, 1985-95, as is shown in Chart 3 below.

Chart 3

GROWTH RATES FOR INDUSTRIAL & DEVELOPING COUNTRIES

1985 - 1995

(Compared to Rates for 1960-73 & 1973-80)



Source: World Bank, World Development Report, 1985, p.138.

In the simulation, the Low case is predicated on lack of progress in industrial countries in overcoming the causes of their erratic performance in the past ten years. With the continued high budgetary deficits, **inflation, unemployment, and interest rates which would result,** Gross

Domestic Product (GDP) growth in industrial economies would average 2.5 per cent a year. As a consequence, it is estimated that the GDP would grow at 4.7 per cent a year in developing countries. GDP growth could be further reduced to only 4.3 per cent a year if protectionism were to increase in industrial countries. In the Low case scenario, all forms of foreign capital for developing countries would grow slowly, with only a small increase in aid. In such circumstances, most groups of developing countries would grow at a much slower rate than they experienced in the 1973-80 period, which averaged 5.5 per cent, and all would grow more slowly than the average rate of 6.6 per cent for the 1965-1973 period. For many, a ten-year period of very slow economic progress could be experienced.

In the High case scenario, growth in industrial economies is projected to average 4.3 per cent a year, if policies are designed and successful in achieving lower budgetary deficits, a reduction in the rigidities in labour markets (in particular a reduction in increases in real labour costs) and a reduction in protectionism. In this context, unemployment, inflation, and interest rates would all fall, almost back to their levels of the 1960s, exports from developing countries would grow more rapidly, capital flows to developing countries would expand, and the prospects for more aid for low-income countries would be considerably improved. In this scenario, developing countries would restore their growth rates to somewhere near their average in the 1970s.

Both scenarios predict a bleak outlook for some developing countries. For low-income countries of Africa, they stress the urgent need for domestic policy reforms and matching external assistance. For major debtor countries, particularly in Latin America, they predict enormous difficulties arising out of heavy debt servicing.

It is the World Bank's view that the critical period to ensure a successful transition to renewed growth will be the next five years, 1985-90. It is in that period that a fundamental re-orientation of policies in industrial and developing countries must occur to ensure the restoration of 'sustained growth and normal relationships between debtor and creditor countries' by 1995. If this is not achieved, the Bank predicts a thirty-year stagnation period ahead.

The International Monetary Fund (IMF), presents its forecast for the global economy in a baseline scenario, and alternative better and worse scenarios. The baseline scenario for the period 1987-90 is based on the primary assumption that the United States Administration will succeed in phasing in about half of the proposed fiscal deficit cuts during 1986-88, thus bringing down the expected 1988 deficit by 1.0 per cent of the gross domestic product. Other industrial countries would also succeed in their deficit reduction plans. The scenario further assumes that all industrialized countries would retain a non-accommodative stance of monetary policy. Developing countries would maintain their present thrust of policies. In this scenario, the IMF expects that output in industrial countries will grow by 3.1 per cent, on the average, per annum. For the developing countries, national output is expected to continue its expansion from its turnaround in 1983, with an annual growth rate of 4.8 per cent expected for the period. It is important to note the crucial importance to developing countries of improvements in policy performance in industrial countries. The IMF suggests, for example, that better policies in these could add more than 1.5 percentage points per annum to the growth of developing countries.

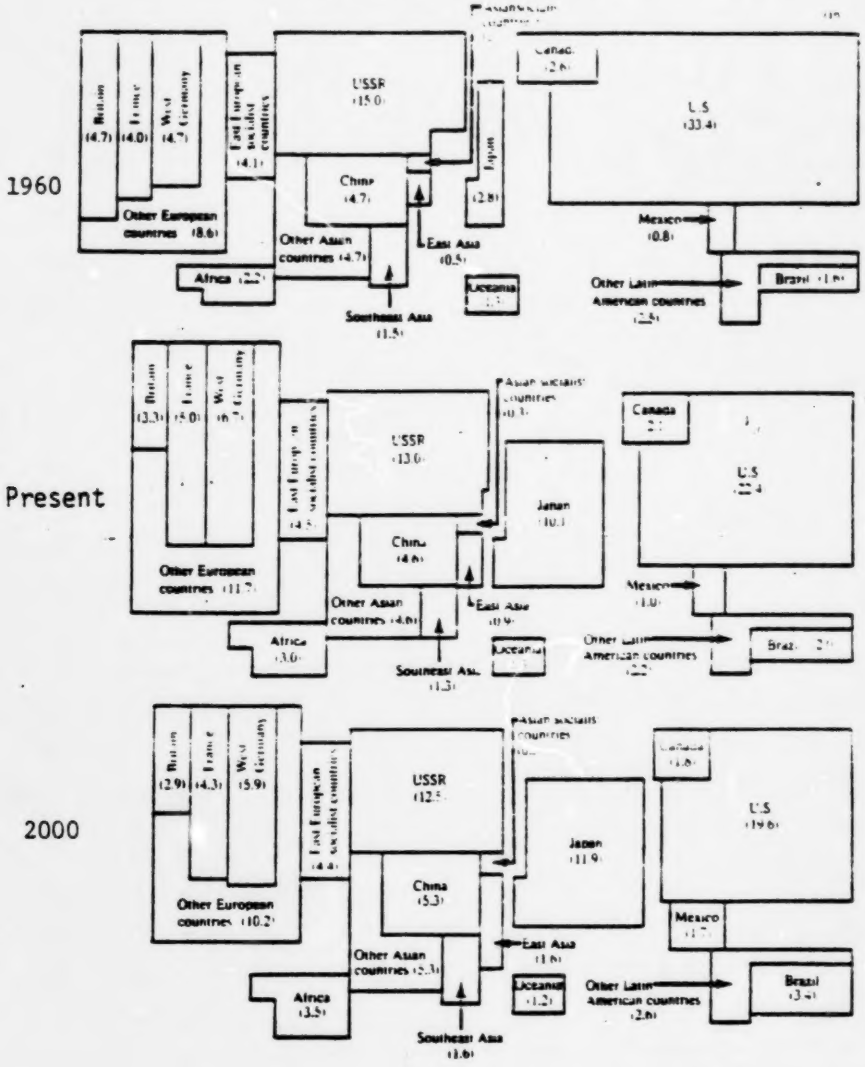
The OECD forecast for industrial countries for the short term is based on assumptions similar to those of the IMF and the World Bank. Projected rates of growth are generally consistent with those of the IMF for the equivalent period, showing a slight decline in growth in 1986. Japan is expected to continue to experience a growth rate well above those of Europe and the U.S.

The most significant conclusions to be derived from this analysis are: (i) the wide divergencies between the growth rates in the low and high case scenarios. These vary by about two percentage points for the industrialized countries and by about twice as much for the developing countries and (ii) the relationship of these growth rates to past levels.

Historical and projected rates of global output mask significant differences in the performance of individual or blocks of nations, and, thus, shifts which are occurring in the relative standing of nations in the economic world. Diagram 2 below by Japan's Economic Council, on past, present and projected distributions of the share of nations relative to

Diagram 2

World Economic Map



Source: Japan. Economic Council. *Japan in the Year 2000* (Tokyo: The Japan Times. 1983). p. 42.

Note: The maps are based on the assumption that the GNP growth rate of a group of countries is identical to that of each country. It is inappropriate to attempt an international comparison of growth rates.

Figures in parentheses denote national or regional shares in world GNP.

(As reproduced in the Macdonald Commission Report) global output is very revealing. The most significant trends to be noted are: (i) the relative stability of European countries (ii) the growing importance of Asian countries (particularly of the Pacific Rim countries) and of Mexico and Brazil in Latin America and, most importantly (iii) the loss of U.S. supremacy and the staggering growth of Japan.

3. Changing Trade Patterns

Changes in the world economy are also well reflected in the increasing dependency of nations on trade and in the altering standing of blocs of nations in world trading.

In the last decade, all major industrial countries, except the United States, have become increasingly dependent on trade as measured by the rising contribution of exports to their gross domestic product. This is shown in the table below.

Table 5

Exports as a Percent of Gross Domestic Product of Major Industrial Countries

1975-1984

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Canada	21.2	22.0	23.1	24.7	24.6	24.8	24.8	25.5	24.3	30.0
U.S.	8.4	8.5	8.2	8.8	9.9	10.8	10.6	10.0	9.1	8.9
Japan	13.8	15.4	16.2	15.4	15.7	17.8	19.8	19.8	20.1	22.4
Germany	26.6	27.8	28.0	28.2	28.5	29.5	32.0	33.8	33.0	34.7
U.K.	24.4	25.6	27.0	26.5	26.9	27.5	27.4	27.2	26.7	28.0
Italy	19.9	21.3	22.3	23.9	24.8	22.9	24.0	24.2	25.1	26.2
France	19.5	20.5	21.6	22.0	22.9	23.2	24.3	23.3	24.1	25.4

Source: OECD Quarterly National Accounts, No. 1, 1985.

In the context of an increasingly interdependent world, it is important to note the very low reliance of the United States on trade compared with other industrial countries.

For developing countries, World Bank data indicate that export earnings have increased from 20.8 per cent of the gross domestic product, on the average, in 1977, to the level of 25.0 per cent in 1981. Significant differences exist, however, among developing countries. For example, in 1981, export earnings represented 6.7 per cent of Paraguay's GDP and 6.8 per cent of India's while they were equivalent to 207.6 per cent of Singapore's and 109.2 per cent of Hong Kong's. The ratio for the latter two countries imply very significant amounts of exports of goods previously imported.

Important changes in trading patterns have been occurring in the last 15 years. This is reflected in shifts in the relative shares of countries in world trade value and in the distribution of exports and imports among nations.

United Nations statistics indicate that between 1970 and 1983, the share of world trade value of industrial countries declined from nearly three quarters to about two-thirds. Of the industrial countries, Japan's share was the only one to increase. During the period, the share of developing countries rose from 17.8 per cent to 24.8 per cent. After a decline in the 1970s, the centrally-planned economies now hold a higher share of world trade value than they held at the beginning of the period.

The table below on distribution of exports in the world clearly illustrates that: (i) an increasing proportion of the exports of western industrialized countries are being directed to developing countries (ii) increasing trade is taking place among developing Asian countries (iii) Japan's decreasing trade with the developing economies is being offset by increasing trade with the U.S.; trade with these two partners amounts to about 70 per cent of Japan's overall export trade (iv) the declining importance of European markets, for the U.S., Canada and the developing countries, and inversely its increasing importance for the USSR, in competition with Japan and the U.S. (whose share of this market has declined, however): and (v) increasing competition for the U.S. market. This is particularly important for Canada whose exports to the U.S. amount to three quarters of its total exports.

Table 6

Distribution of Exports of Selected Trading Blocs and Countries

Selected Years: 1970-84

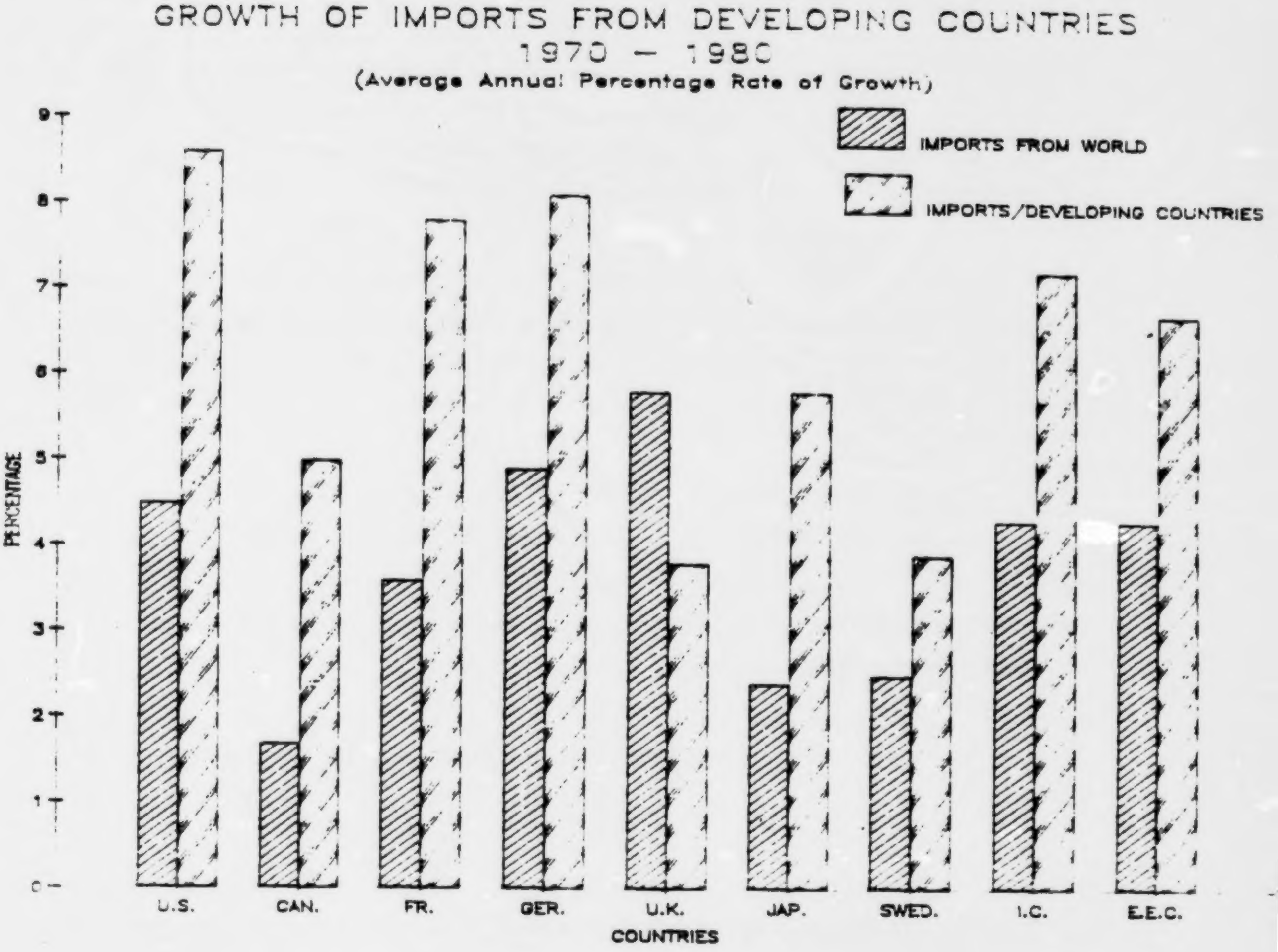
To om	Year	World	European Economic Community	European Free Trade Area	United States	Canada	Japan	USSR	Centrally Planned Economies	Developing Economies	Developing Economies (Asia)
							(Percent)				
opean nomic munity	1970	100.0	51.0	12.5	8.2	1.3	1.2	1.2	3.9	14.0	2.6
	1984	100.0	52.0	10.6	9.5	1.0	1.2	1.6	3.4	16.6	3.4
opean e Trade a	1970	100.0	49.4	18.6	6.6	1.3	1.3	2.8	7.0	10.7	1.9
	1984	100.0	52.2	13.7	8.5	0.9	1.8	3.6	6.5	12.2	3.2
ted tes	1970	100.0	26.6	4.0	—	20.7	10.8	0.3	1.7	28.8	8.8
	1984	100.0	21.0	2.8	—	20.7	10.8	1.6	3.4	32.8	12.0
	1970	100.0	16.4	1.8	65.4	—	4.7	0.6	1.7	7.4	2.0
	1984	100.0	6.7	0.6	75.5	—	4.7	1.9	3.3	7.8	2.8
an	1970	100.0	11.2	3.0	31.1	2.9	—	1.8	6.2	39.2	24.6
	1984	100.0	11.4	2.2	35.6	2.5	—	1.5	6.2	36.7	21.6
R	1970	100.0	11.0	4.2	0.5	0.1	3.0	—	57.8	21.0	1.9
	1984	100.0	20.6	6.1	0.4	0.03	1.1	—	47.4	12.3	3.3
trally nned nomies	1970	100.0	13.0	4.5	0.7	0.3	2.3	20.9	60.6	15.6	3.8
	1984	100.0	16.4	5.2	0.8	0.2	3.5	16.6	48.9	17.8	6.5
eloping nomies	1970	100.0	33.9	3.0	18.4	1.8	10.8	3.1	6.3	19.8	7.7
	1984	100.0	19.9	1.9	22.9	1.3	13.9	1.9	4.8	29.6	13.5

Data for Centrally Planned Economies also include those for USSR and data for Developing Economies also include those for Developing Economies (Asia)

ce: United Nations, Monthly Bulletin of Statistics, Special Table B, June 1985, p.p.xviii - xxi.

The change in the movement of exports is being paralleled by a change in the distribution of imports. As can be seen from the chart below, the average annual rate of growth of the imports of the industrial countries from developing countries has been almost twice as high since 1970 as their rate of growth of imports from the world as a whole.

Chart 4



Source: Based on data from: International Monetary Fund, Developments in International Trade Policy - Occasional Paper No. 16, November 1983.

In sum, there is increasing dependence on trade for many nations at the same time as important changes are taking place in the relative standing of nations in world trade.

4. Summary

- There is growing interdependence in the world economy as a result of fast technological change and major changes in developing economies towards more capital intensive production of a standardized nature;

- Strains have developed in the global economy and, in particular, protectionist sentiments appear to be increasing;

- Growth prospects in industrial countries are expected to range between a low of around 2 per cent to a high slightly above 4 per cent over the next decade; it is possible that the actual rate will sink below the lowest rates reached before 1980;

- Growth rates for developing countries are expected to be higher than for industrial countries, but there exists greater uncertainty about growth prospects: forecasts range from 2.5 per cent in the most pessimistic scenario to 6.5 per cent in the most optimistic; these rates are below historical standards;

- Significant variations in growth rates across developing countries are expected;

- Prospects for growth in developing countries will depend on the success of industrial countries, particularly the U.S., in altering macro-economic policies substantially and in reducing protectionism;

- The period 1985-1990 is expected to be a crucial transition period where performance could sway the direction of economic growth towards stagnation or sustained growth for the longer term;

- The increasing share of Japan and of developing countries of global output is challenging the traditional predominance of the U.S. in the world economy;

- Nations generally are becoming increasingly dependent on trade;

- ° trade patterns are shifting, leading, in particular, to increased competition for the U.S. market and the markets of the developing countries.

B. Canadian Economy

This section assesses Canada's position in the world, against the prospects for relatively slow growth in the international economy and in the light of the very significant changes occurring in the structure of the economies world-wide and in their interrelationships. In particular, it reviews growth prospects for the medium term, analyses Canada's standing in world markets and examines its future competitive potential. As will be discussed, it is expected that the issue of improving Canada's productivity will be particularly pressing over the medium term.

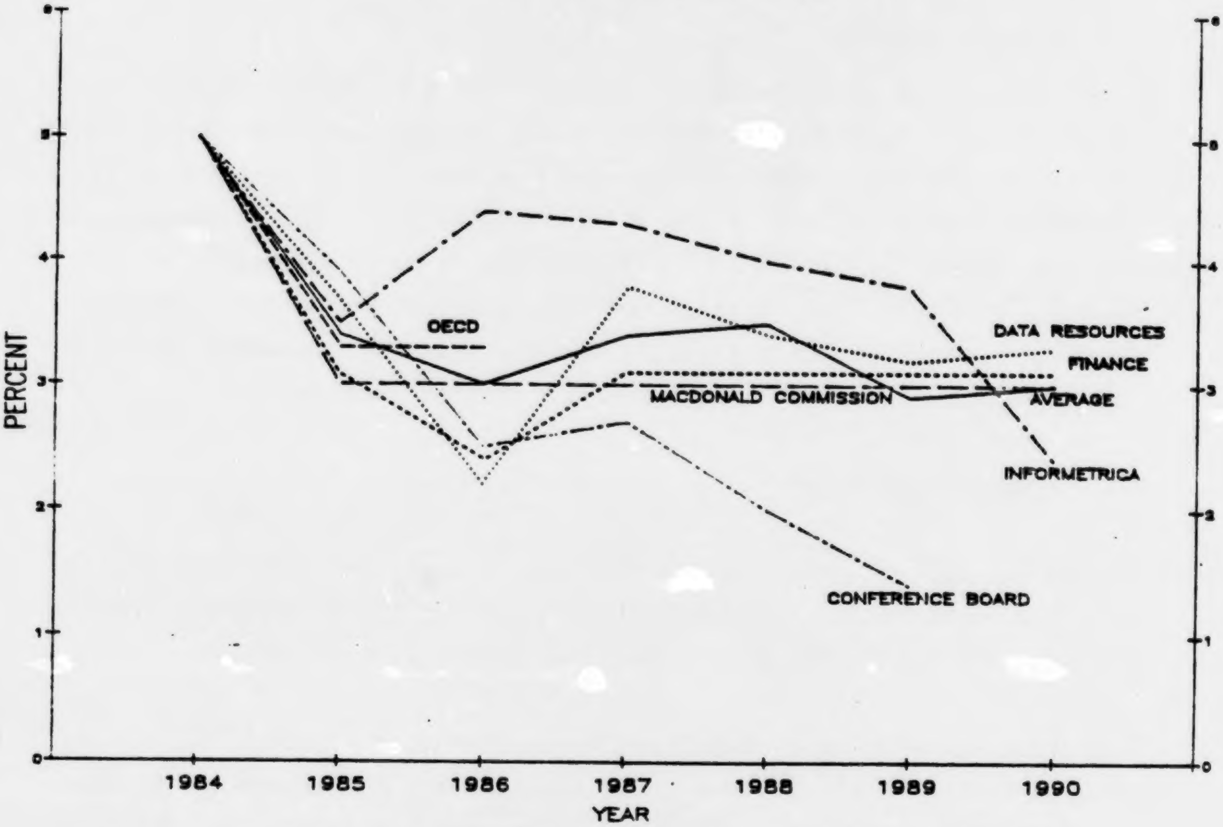
1. Medium Term Forecasts

In 1984 the rate of growth of the Canadian economy was very high at the estimated level of 5.0 per cent, exceeding the trends between 1956-81 when the average annual growth was 4.25 per cent.

The chart below presents forecasts from a number of sources. As can be seen, overall, the prospects are that the economy will experience a slowdown in both the short and medium terms relative to the 1984 performance. While there is substantial agreement among forecasters about the direction of the trend line, there is wide divergence with respect to the actual levels of growth to be expected. Based on an average of the forecasts, it may be expected that growth could rise from 3.0 per cent to about 3.5 per cent between 1986 and 1988 and decline afterwards to stabilize at or around 3.0 per cent, by the end of the decade. This is relatively close to the average trend line of 3.0 per cent forecast by the Macdonald Commission. It should be noted that while the forecasts show a range of only 0.9 percentage points for 1985 and 1990, the ranges are 2 points or more for 1986, 1988 and 1989.

Chart 5

GROSS NATIONAL PRODUCT (CONSTANT $1971)
CANADA, 1984 -1990
(Annual Percentage Change)



Sources: Based on data from: Canada, Report of the Royal Commission on the Economic Union and Development Prospects for Canada, Vol. II, 1985; Department of Finance, Canada's Economic Prospects, 1985-1990: The Challenge of Economic Renewal, May 1985; Informetrica, The Canadian Economy to 2005, Post-Workshop 1-85, Reference Forecast and Tables, August 1985; Data Resources of Canada, The Next 25 Years: Canada's Long-Term Economic Prospects, Canadian Review Pre-Print, August 1985; Conference Board of Canada, MTFM Forecast, Table 1, July 12, 1985; OECD, Economic Outlook, No. 37, June 1985.

Informetrica's forecasts are the most optimistic throughout the medium term, while the reverse is true of the Conference Board's forecasts.

The forecasts are based on various assumptions covering expected Canadian and U.S. fiscal and monetary policies, and the value of the U.S. dollar vis-à-vis the Canadian and other major currencies.

Informetrica and Data Resources assume that Canadian fiscal policy will continue to reflect an environment of moderate expenditure restraint but that there will be no further moves to restrict fiscal policy by the federal and provincial governments beyond proposals included in recent budgets. The OECD, however, assumes that a tightening of federal fiscal policy will continue and that the restrictive stance of provincial budgets will persist.

Much of the discussion on monetary policy centres on the importance and possible evolution of international interest rates. Informetrica assumes that there will be a gradual return to more normal levels of real interest rates in the U.S. and Canada; but the OECD's assumption is that present interest rate levels will continue. Data Resources, however, assumes that monetary policy will be adjusted in order to achieve an annualized inflation rate of about 6.0 per cent, which will set a floor on interest rates. The Department of Finance, in a mid-range scenario, assumes that there will be a moderate U.S. deficit reduction and a U.S. Federal Reserve Board policy aimed at maintaining at least moderate real growth. The alternative 'favourable' and 'unfavourable' international environments considered by the Department of Finance include relative better and worse fiscal monetary policy mixes. The Department notes, however, that there is considerable latitude to do better or worse than in any of the three scenarios discussed.

The last principal variable, the value of the dollar, is discussed by Informetrica, whose assumption is that there will be a depreciation of the U.S. dollar against other major currencies by 28 per cent during the balance of the decade, and a gradual appreciation of the Canadian dollar from $0.74 U.S. in 1985 to $0.80 by 1990 and $0.85 in 1995 and beyond.

All forecasters suggest that there will be increased investments to generate higher economic growth in Canada. However, the Macdonald Commission notes that there is uncertainty as to whether investment spending will be as strong as projected by other forecasters, in the light of present and anticipated excess capacity and of the expected financial position of the corporate sector. It also argues that consumer spending will be less than forecast.

It should be noted in concluding that Canada's share of global output has been declining since 1960 and that it is expected to decline further by year 2000. As was shown earlier, the country's share which stood at 2.6 per cent of global GNP in 1960, had declined to 2.1 per cent in 1983 and is forecast to be 1.8 per cent at the end of the century.

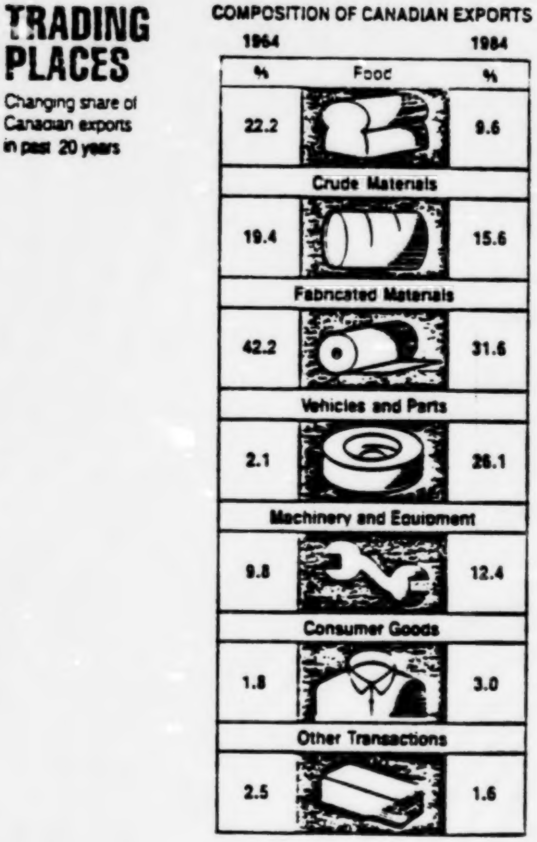
2. Canada's Standing in World Markets

Canada is the most dependent on trade of the industrialized countries after Germany, with exports amounting to 30.0 per cent of GDP in 1984. Our major trading partners, U.S. and Japan, are, however, the least dependent on exports of all the industrial countries at 8.9 per cent and 22.4 per cent respectively.

The United States continue to be an increasingly important export market for Canadian products. Between 1970 and 1984, Canadian merchandise exports to the U.S. have increased from 65.4 per cent to 75.5 per cent. While Japan has become Canada's largest single-country market overseas (with a share of 4.7 per cent of Canadian exports in 1984), exports to developing countries have increased from 9.4 per cent in 1970 to 10.6 per cent in 1984. In contrast, the share of Canadian exports to Europe has dropped significantly from 18.2 per cent in 1970 to 7.3 per cent in 1984. This shifting pattern of export trade is similar to that of Canadian imports for the period. While Canada's imports from the world increased by 1.7 per cent between 1970-1980, imports from developing countries increased by 5.0 per cent.

Over the years, the composition of Canadian exports has changed dramatically. The diagram below, included in a May 1985 article by Judith Maxwell in the 'Report on Business' magazine of the Globe and Mail, shows clearly the dramatic shift away in our economy from a resource/raw material-based to a manufacturing-based export trade orientation. While in 1964 manufacturing exports were only 14.3 percentage points higher than resource-based exports, by 1984 the spread had increased to 48 percentage points, in favour of the former.

Diagram 3



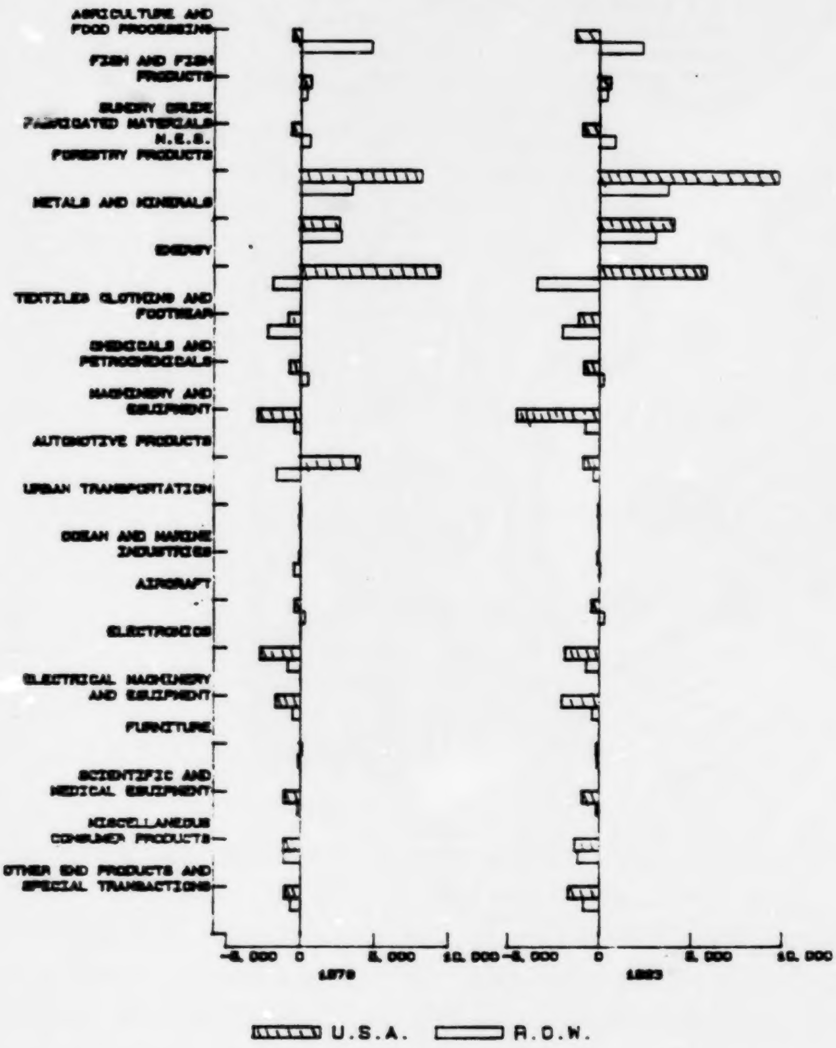
Source: Globe and Mail, 'Report on Business,' May 1985

A recent SPP/CEIC paper on Canada's imports and exports by A. Roy, 'International Competitiveness and Employment Growth,' reveals that export growth between 1966-83 has been met in many sectors by substantial increases in import competition.

Given this, the examination of Canada's trade balance by sector, in the chart below, isolates clearly areas of strengths and weaknesses in our economy. In light of the overall significance of the U.S. market in Canada's import and export trade, Chart 6 isolates the U.S. from the rest of the world.

Chart 6

CANADIAN TRADE BALANCES WITH UNITED STATES
AND THE REST OF THE WORLD
1978 AND 1983
(CANADIAN 1983 MILLION DOLLARS)



Source: Winham, G.R , 'Canada-U.S. Sectoral Trade Study', Table 6-1 in the Report of the Royal Commission on the Economic Union and Development Prospects for Canada, Vol. 1.

Canada continues to register overall positive trade balances in the resources and resources-based goods-producing sectors. However, trade performance in agriculture and food processing and energy is declining, while in the areas of forestry products and metals and minerals, a reverse trend is observable. Overall, Canada's vulnerable position in world markets is evidenced by increasing negative or near even trade balances in most other sectors. Negative performance, especially vis-à-vis the U.S., is particularly evident in the two machinery and equipment sectors shown. The diagram does not show the recent very positive trade balance recorded in the automotive products sector. The shift from positive to negative trade balances between 1978 and 1983 and the positive performance experienced today, shows the high volatility of this sector.

The dilemma and challenge for Canada, are very clear: Canada is increasingly dependent on manufacturing-based exports, yet its competitive position is less favourable in this area than in the declining traditional resource area. This suggests, as noted by Judith Maxwell that: 'The erosion of our comparative advantage in resource exports forces Canadian industry to shift the focus of production into goods (and services) with a higher value added - where more technical, managerial and marketing skills are required to produce the end product.'

Most of Canada-U.S. export-import trade is intra-corporate, involving the transfer of goods and services between affiliates on each side of the border. In a survey of selected industries by the Economic Council of Canada, it was found that the intra-corporate share of Canadian imports from the U.S. rose from 67 per cent in 1965 to 79 per cent in 1979; while the intra-corporate share of Canadian exports to U.S. rose from 63 per cent in 1965 to about 80 per cent throughout the 1970s. While acknowledging the dependency of the Canadian economy in this trade relationship, the Economic Council also notes the economic benefits which include: helping to assure stable export markets for the Canadian firms and allowing them to draw on the financial strength and marketing and technical expertise of the parent firms; the opportunity for Canadian firms to gain access to new, sophisticated and expensive technological know-how; and, assisting the stability and growth of related industries in Canada.

In addition to shifting patterns of world trade, and in particular, the increasing competition from developing countries and American firms in the Canadian market, it is expected that further pressures will be placed on Canada as a result of the implementation of the trade enhancement measures negotiated through GATT, and the possible liberalization of trade with the U.S. This will continue to require, in the future, substantial efforts to improve competitiveness. Let us now turn to this issue.

3. Canada's Competitive Potential

The European Management Forum Foundation (EMF), a non-profit organization based in Geneva, released in 1985 a report on the competitiveness of 28 countries. This was based on an analysis of over 300 indicators, including 211 'hard statistics' for 1983 and 19 'subjective judgements' taken from a mid-1984 survey of over 1,100 corporate executives around the world. The indicators were combined into ten broad factors and one overall measure. From the results, Canada was ranked the seventh best competitive country, showing a substantial improvement over the previous year where it ranked eleventh. Also, Canada was one of only three countries to improve their scores for all ten competitive factors.

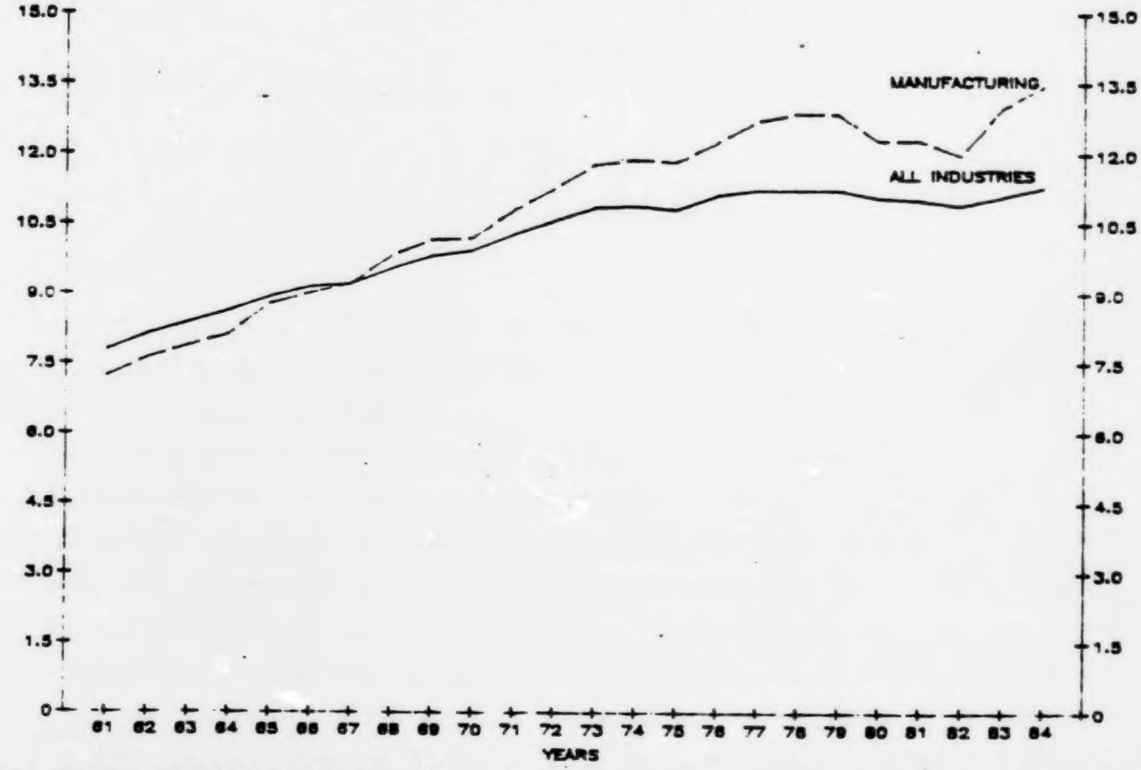
Canada's strengths were identified to be in the cost and availability of energy and raw materials (1st), financial dynamism (3rd), human resources (5th) and the dynamism of its market as measured by marketing skills, market size and sophistication (6th). While it ranked 11th with respect to its current macro-economic environment, it ranked in 24th position in terms of its long term economic growth prospects. The country stood in the middle of the list on all other factors: industrial efficacy, including labour costs, productivity and profitability (14th), socio-political consensus and stability (14th), outward market orientation (15th), innovative forward orientation, including R&D (15th), and state interference (16th). It is particularly important to highlight that Canada ranked 22nd on the single factor of labour productivity growth and 23rd with respect to investment growth and willingness to modify products for alternative export markets.

Let us examine the issue of productivity more closely as it is generally regarded as a key factor in the new competitive environment. As well, it is closely tied to the debate over technological change, the effects of which on aggregate demand and employment are crucial.

In absolute terms, Canada has a high level of labour productivity (output per hour) which, as can be seen in Chart 7, continues to increase. Total output per person for all industries increased steadily between 1961 and 1977. In 1971 dollars, it rose from $7,790 to $11,230, a total increase of 44.0 per cent. After relative stability followed by a slow decline between 1977 and 1982, growth in the productivity level has since experienced an upsurge. The level was estimated to be $11,290 in 1984.

Chart 7

OUTPUT PER PERSON EMPLOYED
1961—1984
(Thousands of Constant (1971) Dollars)

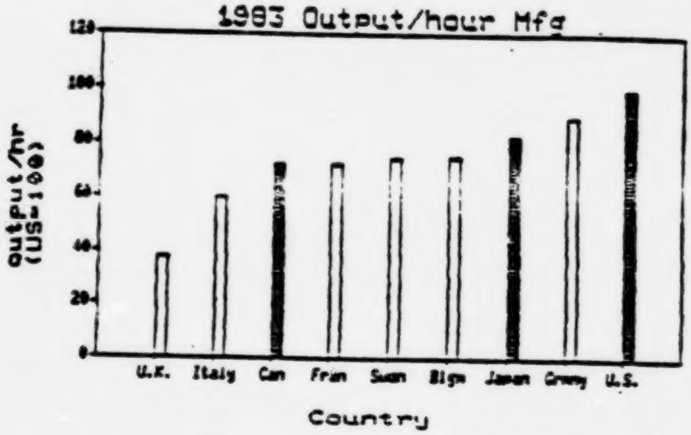


Source: Informetrica, Historical Tables and The Canadian Economy to 2005, Reference Forecast Post-Workshop II-C4, Tables p.116, December 13, 1984.

The trend for average productivity in the manufacturing sector, which is the most significant determinant in international competitiveness, has followed the same pattern. However, the level of productivity for that sector has been at a consistently higher level than the average for all industries since 1966, and the gap has been widening.

The chart below for the manufacturing sector in 1983 demonstrates clearly that Canada is still in a favourable position vis-à-vis other industrialized countries.

Chart 8



Source: Daly, Donald J., 'Cost Competitiveness in Canadian Manufacturing,'The Challenge and Some Policy Options,' Productivity, Vol. 2, No. 1, April 1985.

The problem faced by Canada with respect to productivity is that its rate of growth of labour productivity has been declining and lagging seriously behind that of other industrial countries. As can be seen in Table 7, Canada's rate of growth of labour productivity has traditionally been slower than those of other industrialized countries. In the period 1960-73, the country stood in 7th position, ahead of the U.K. and U.S. Between 1973-79, all countries experienced important slowdowns, but the slowdown was so pronounced for Canada that as a result, its rate of productivity improvement ranked as the worst for the period. The table also shows an even worse performance in relation to total factor productivity growth (outputs over inputs) which is generally considered to be a superior measure of productivity than the widely used measure of labour productivity.

Table 7

International comparison of productivity growth rates, 1960-79

	Labour productivity growth		Total factor productivity growth	
Country	1960–73	1973–79	1960–73	1973–79
		(per cent)		
Belgium	6.1	4.4	4.2	2.8
West Germany	5.8	4.3	3.2	2.1
France	5.9	4.2	3.9	2.1
Japan	9.9	3.8	6.6	1.8
Italy	7.8	1.6	5.8	0.8
United States	3.1	1.1	1.9	0.6
Sweden	5.3	2.5	3.6	0.3
United Kingdom	3.8	1.9	2.2	0.3
CANADA	4.2	1.0	2.9	–0.1

Source: Daly, M.J. and Rao, S., 'Some Myths and Realities Concerning Canada's Recent Productivity Slowdown, and their Policy Implications,' Canadian Public Policy- Analyze de politiques, Vol. XI, No. 2, June 1985.

Unfortunately, data on total factor productivity for Canada - and indeed, for other countries - is scarce. Statistics Canada is now developing a system which will enable this measure to be determined by factoring in such measures as capital, energy and materials in addition to labour.

In a recent paper, 'Employment and the Productivity Slowdown,' G. Saunders of McMaster University, notes that the growing use of total productivity measures 'can be expected to yield important new insight into the sources of productivity improvement and fundamental changes in policy directions to raise productivity.' His analysis suggests a number of challenges to conventional wisdom: (i) rising rates of growth of capital are not always associated with positive rates of growth of productivity. Capital, like labour, can be easily used ineffectively (ii) labour (and employment) are not necessarily in a trade-off relationship with productivity, and (iii) technological improvement may be finding its way into the production system through improved materials.

In the absence of total factor productivity data - and recognizing that at best only an incomplete picture of productivity changes is being shown, Table 8 presents the anticipated labour productivity growth in major industrialized countries for 1985-86.

Table 8

Productivity Growth in Major Industrialized Countries
1985-86
(Annual Percentage Change)

Country	1985	1986
U.S.	1.0	1.0
Japan	3.8	3.3
Germany	2.5	2.3
France	2.0	2.5
U.K.	2.0	1.3
Italy	2.0	1.8
Canada	1.5	1.8
Total OECD	2.0	1.8

Source: OECD, *Economic Outlook*, No. 37,
June 1985.

The OECD forecast for Canada for 1985 and 1986 is higher than those of the Department of Finance and Canadian firms, as can be seen in Table 9 below. However, even in the more optimistic OECD scenario, Canada's rate of growth would leave the country nearly at the bottom of the list compared to other industrial countries, for the next two years.

Prospects for productivity growth for the medium term are not favourable. While a productivity growth rate of between 1.5 and 2.0 is estimated to have taken place in 1984, it is generally expected to fall in the lower range of 1.0 to 1.5 in 1985, and decline further to below 1.0 per cent afterwards. Informetrica's forecast is at odds with the others where it predicts much lower rates than other forecasters for '85 and '86, and much higher rates for the 87-89 period. Informetrica's long range forecasts suggest very low productivity gains to 2005.

Table 9

Forecasts of Aggregate Productivity Growth in Canada
(Average Annual Percentage Change)

	1984	1985	1986	1987	1988	1989	1990	1995	2005
Dept. of Finance	2.1	1.0	0.2	--	--	--	--	--	--
Conference Board	1.6	1.6	-0.6	0.2	-0.4	0.0	--	--	--
Data Resources	2.1	1.5	0.5	0.5	--	--	--	--	--
Informetrica	1.8	0.12	0.34	1.6	1.7	1.2	0.32	-0.02	0.9
OECD	2.1	1.5	1.8	--	--	--	--	--	--

Sources: Department of Finance, Canada's Economic Prospects, 1985-1990: The Challenge of Economic Renewal, May 1985; Conference Board of Canada, MTFM Forecast, July 1985; Data Resources of Canada, Canadian Review, June 1985; Informetrica, The Canadian Economy to 2005, Reference Forecast, Post-Workshop II-84, December 1984; OECD, Economic Outlook, No. 37, June 1985.

Informetrica has published productivity growth rates for each major sector to year 2005 and estimates from the Conference Board are available to 1989 for selected sectors. Given that only partial comparisons are available and that there exists a wide divergence between the forecasts of these two firms, this data is not presented here in detail. The comparative rates shown below for the manufacturing sector serve to illustrate the uncertainty which exists for the long term:

	1984	1985	1986	1987	1988	1989	1990	1995	2005
INF	+3.64	-1.06	-1.06	+3.13	+3.27	+1.45	-1.07	+0.97	+2.35
CB	3.3	1.9	0.5	0.0	-0.5	-0.5	--	--	--

It would be beyond the scope of this paper to discuss the great many diverse and interactive macro-economic factors which have led to decreases in productivity, or to discuss the policy options and instruments which have been and continue to be put forward by economists to improve economic growth and competitiveness. Daly and Rao in a June 1985 article in Policy Options, 'Some Myths and Realities Concerning Canada's Recent Productivity Slowdown and their Policy Implications,' for example, note the importance of policies aimed at mitigating the conflict between the goals of price stability and economic growth. However, they stress that, 'sustained productivity improvements at a rate comparable to (...) other (industrialized countries) require that steps be taken to speed up technical advance, a process that appears to proceed more slowly in Canada than in other Western developed countries, but which is the main source of total factor productivity growth in the long run.'

The following data on the current and forecast spread of high technologies in the Canadian manufacturing sector support the thesis that Canada is lagging behind other industrial countries, and raise concerns about whether it will in fact catch up over the medium term.

A recent report by Evans Reseach Group in Toronto estimates that some 940 industrial robots were in use in Canada at the end of 1984, with about 70 per cent of these robots being found in the automotive industry. As few as 500 of the 43,000 manufacturers in Canada have installed major CAD/CAM systems in their plants.

In international comparative terms, this would place Canada at the bottom of the list of the British Robot Association for installations in major industrialized nations. Japan has the largest number of robots with some 64,600 units in use, the United States is next with 13,000, followed by West Germany (6,600), France (3,380), Italy (2,700), Britain (2,623) and Sweden (2,400). This is consistent with figures reported by the U.S. Department of Commerce: in terms of the number of robots for each 10,000 workers employed in manufacturing, Canada's ratio of 3.7 robots compares unfavourably with 32.1 in Japan, 20.2 in Sweden, 7.2 in West Germany and Czechoslavakia, 6.9 in France, 5.9 in Belgium, and 4.7 in the United States.

The spread of robotics in Canada is increasing, however, with Evans Research projecting an average annual growth rate of some 40 per cent until 1990. This would bring the total number of robots in Canada in 1990 to approximately 7,000. A 1983 study by the OECD on the use of robots by member countries projected growth rates for the period 1985-1990 of 30 per cent for the United States, United Kingdom, and France, 25 per cent for Germany, 20 per cent for Japan, and 15 per cent for Sweden. There are reasons to believe that these estimates are conservative. For example, the 1984 figure noted above of some 64,600 robots currently in use in Japan already exceeds the OECD study's estimate for 1985 by some 35,000. If this is so, by the end of the decade, in spite of a fast projected rate of growth, Canada may still lag behind other industrial countries.

While technology is playing an increasingly important role in matters relating to productivity and competitiveness, it is not the only factor contributing to the long term viability of companies and their workforces. Since the publication of 'In Search of Excellence,' many have talked about the responsibility of management for productivity improvements beyond the decision to introduce technological change, with the following factors being considered paramount: (i) a workplace with a positive climate for innovation and improvement (ii) a workplace organized to achieve the most efficient level of output (iii) positive labour-management relations (iv) the existence of programs to improve the skills of workers and managers alike, and (iv) a strong strategic planning capability.

Canadian producers and manufacturers are facing an increasingly competitive economic environment, which is global in nature, and where productivity improvements are crucial to maintaining a competitive position. Significant changes are required. Failure to adapt will result in a further deterioration of both the manufacturing and resource sectors of the economy, and in higher levels of unemployment over the medium to longer term.

4. Summary

- Canada's economic performance in the mid term is expected to decline from the high 1984 level and to set below historical standards. The actual rates of growth forecast vary widely but, on the average, they are expected to increase from 3.0 per cent to 3.5 per cent between 1986-88 and to decline thereafter to the 1986 level;

- Canada is highly dependant on trade;

- The United States continues to be Canada's most important export and import market, but Japan and developing countries are of increasing significance, at the same time as the importance of European markets is declining;

- Canada is increasingly dependant on manufactured exports, yet its competitive position is less favourable in this area than in the declining traditional resource area;

- Much of Canada's trade with the United States if of an intra-corporate nature and the percentage of this trade has been rising steadily;

- Canada's overall competitiveness is increasing but significant improvements are required in many areas, particularly in respect of productivity;

- Canada's rates of labour and total factor productivity growth have been declining and lagging seriously behind those of other industrial countries;

- Long-term forecasts of labour productivity growth are uncertain, but tend to suggest continuing declines;

- Canada is slower than other countries in adopting new productivity-enhancing technologies, and may still be lagging behind other industrial countries by the end of the decade.

4. THE LABOUR MARKET

This section presents prospects for employment in the formal and informal economies, trends in the supply of labour, and trends with respect to the scope and nature of unemployment into the mid term.

A. Employment

The factors we have discussed in the preceding section are constantly interacting within the framework of both the global and domestic economies to determine the overall demand for labour in the Canadian formal economy. In this section, we will present various projections of aggregate and sectoral employment growth for the medium term, and examine the potential impact on the future demand for labour in Canada of technological change, the possible liberalization of trade with the United States, and the growth of the small business sector. As well, we will discuss how the changes in the configuration of the economy are expected to affect the occupational structure and raise issues about the evolving nature of the work environment.

An examination of employment prospects would be incomplete without an acknowledgment of the importance of the informal sector of the economy, both in terms of the number of people who operate within it and of its scope, as measured by estimates of its value as a percentage of GNP. In the context of our discussion of this phenomenon, the economic and socio-cultural factors which influence its evolution will be noted.

1. Projections for Employment Growth in the Formal Economy

In Canada, annual employment growth averaged 2.9% from 1967 to 1974 and 2.7% from 1974 to 1981. After a serious negative growth rate (-3.3%) during the 1981-82 recession and a slow 1983 rate of growth (0.9%), by 1985 the economy had resumed an employment growth rate of 2.5%, comparable to historical standards. Canada's post recession job gains between December 1982 and June 1985 stand at 807,000, or 238,000 (41.8%) over and above the 569,000 jobs lost during the recession.

The projections by various forecasters shown in Table 10 below reveal a substantial degree of disagreement about employment growth prospects until the end of the decade in terms of average growth levels, year to year levels and overall trend lines.

Table 10

EMPLOYMENT PROJECTIONS: CANADA 1985-1990

	1985	1986	1987	1988	1989	1990	Average 1986-1990
			(Thousands)				
Department of Finance							
Total ('000)	--	--	--	--	--	--	--
Change ('000)	--	--	--	--	--	--	--
Change (%)	2.1	2.1					
Informetrica							
Total ('000)	11261	11470	11690	11959	12248	12463	11966
Change ('000)	257	209	220	269	289	215	240
Change (%)	2.3	1.9	1.9	2.3	2.4	1.8	2.0
Conference Board of Canada							
Total ('000)	11253	11637	12091	12467	12673	--	--
Change ('000)	255	384	454	376	206	--	--
Change (%)	2.3	3.4	3.9	3.1	1.6	--	3.0 *
Data Resources of Canada							
Total ('000)	11200	11470	11840	12150	12430	12640	--
Change ('000)	200	270	370	310	280	210	290
Change (%)	1.9	2.4	3.2	2.6	2.3	1.7	2.4
Economic Council of Canada							
Total ('000)	--	--	--	--	--	--	--
Change ('000)	--	--	--	--	--	--	--
Change (%)	1.6	1.2	1.7	2.0	1.7	1.2	1.6
OECD							
Total ('000)	--	--	--	--	--	--	--
Change ('000)	--	--	--	--	--	--	--
Change (%)	2.0	1.5	--	--	--	--	--

* This average is for the period 1986-89.

Sources: Finance, Canada's Economic Prospects, 1985-1990: The Challenge of Economic Renewal, May 1985, p.13; Informetrica, The Canadian Economy to 2005. Assumptions and Summary, Workshop 1-85, Pre-Budget Forecast, April 23, 1985, Appendix A, p.2; Conference Board of Canada, MTFM Forecast, Table 1, April 25, 1985; Data Resources of Canada, Canadian Review Preprint, Forecast Summary (Control); Economic Council of Canada, Steering the Course, 21st Annual Review 1984, p.3, April 1985; OECD, Economic Outlook, No. 36, June 1985, p.27

A best summary of the forecasts would seem to be that growth rates are expected to vary from a low of 1.6% to a high of 3.0%, with a slow-down anticipated in the latter part of the decade. The wide variation in these projections serves to illustrate the high degree of uncertainty surrounding the future direction of the economy, as was noted in the previous section of the paper which reviewed economic forecasts.

The latest Canadian Occupational Projection System (COPS) medium-term aggregate employment growth projections, and employment growth projections by industrial sectors for the period 1985-1992, are shown in Table 11.

These projections are based on an economic reference scenario developed for COPS by Informetrica Ltd in August 1985. This scenario assumes that real economic growth for 1985-86 slows somewhat following the particularly strong 1984 performance. The economy strengthens thereafter, averaging 3.2 per cent annual growth over the period 1985-90. Inflation remains below 5 per cent throughout the rest of the decade, and employment growth remains comparatively strong throughout the near term, although the unemployment rate remains above 10 per cent until 1987.

Table 11

Projected Employment Levels by Sector

		1985	1990	1992	Annual Growth Rate
			(in thousands)		
1	Agriculture	481	492	499	0.51
2	Forest	76	71	72	-0.71
3	Fishing	33	32	33	.00
4	Mining	184	196	207	1.69
5	Manufacturing	2009	2134	2219	1.43
6	Construction	558	564	578	0.52
7	Trans. & Stor.	497	569	603	2.80
8	Communications	255	270	280	1.30
9	Utilities	117	128	135	2.12
10	Trade	1975	2095	2126	1.05
11	Finance	656	731	749	1.90
12	Services	3561	3979	4148	2.20
13	Public Admin.	790	874	910	2.04
	Total	11191	12135	12557	1.66

Source: COPS Reference Scenario, Summary Report, August, 1985.

It should be noted that since this reference scenario was prepared for COPS, Informetrica has released an updated forecast. This updated forecast was used in the section on Canadian growth prospects earlier in this paper. It is more optimistic than the COPS reference forecast and closer to the average growth prospects discussed in that earlier section.

An average annual employment growth rate of 1.66 per cent is projected over the period 1986-1992. This places the COPS projections in the lower end of the various aggregate employment projections presented in Table 10.

Above average growth is anticipated in five of the seven service sub-sectors (Transportation: 2.80%; Utilities: 2.12%; Financial: 1.90%; Community, Business, and Personal Services: 2.20%; and Public Administration: 2.04%) and only in one of the goods-producing sub-sectors (Mining: 1.69%). Employment growth in manufacturing is expected to be slightly below average (1.51%).

The anticipated faster rate of growth of the service sector over that of the goods-producing sector, will further increase its share of overall employment in Canada. By 1992 , it is expected that the service sector's share of total employment will have risen to 71.3 per cent, while the goods-producing share will have declined to 28.7 per cent. It should, however, be recognized in this context that some of the movement is more apparent than real. There has been and is continuing to be an increasing trend for the goods-producing sector to hive off specific service functions which previously were undertaken within the sector (e.g. computer services, transportation).

The severe impact of the recession on the goods-producing sector (where 490,000 jobs were lost, compared to 89,000 in the service sector), the superior performance of the service sector during the recovery (where 601,000 jobs were created compared to 202,000 for the goods-producing sector) and the expected continued faster rate of growth of the service sector into the mid term, all combine to suggest that there will continue to be needed adjustments to cope with the job gap and mismatch of the skills of many individuals with the requirements of the economy.

In interpreting the significance of the relative share of the service and manufacturing sectors in the economy, it is important to note the following three points.

Firstly, the high rate of growth in the service sector is expected to depend increasingly on the overall health of the manufacturing sector, since many service-oriented businesses (in the financial, transportation and communications sectors, in particular) sell a significant portion of their output to companies in the manufacturing sector. As American economist Lester Thurow has commented in a July '85 issue of Business Week: 'If industrial America is dying out, then these services used by industry will die out too'. In addition, high governmental budgetary deficits and resulting restraint in the publicly funded areas of the service sector will also mean heavy reliance on the private sector for future service sector growth.

Secondly, it is uncertain whether the rate of growth of the service sector over the medium term will be sufficient to compensate for the effect on aggregate demand for goods and services of the lower purchasing power derived from lower paying service jobs. In Canada, the average wage level for the service sector is only about 73 per cent of the average wage in the manufacturing sector.

Thirdly, due to lower paying wages and lower productivity, service sector jobs do not generate as much GNP growth as do jobs in the manufacturing sector. It is the view of the Canadian Manufacturers' Association that: 'Regardless of the size of the service sector, manufacturing and processing will remain at the heart of any advanced technological society of the future. This will be so (...) because manufacturing exports along with natural resources, generate most of the foreign income required to purchase the enormous amount of imported goods Canadians want and need.' It should be noted that the manufacturing sector currently accounts for some 15 per cent of employment, and some 22 per cent of GDP in Canada.

2. Factors Likely to Affect Employment in the Medium Term

As we have discussed in previous sections of the paper, the increasingly competitive world economic environment is placing an inescapable pressure on Canada to both improve its competitiveness in international markets and increase productivity levels. In particular, it is essential that technological changes in Canadian industry occur rapidly and on a wide-scale to keep abreast with technological innovations in other exporting nations. A complementary effort will be the need to adopt effective trade enhancing strategies and to negotiate with trading partners measures to check or reduce barriers that have hampered, or could increasingly hamper, access to markets in a context of rising protectionist sentiments. In this environment, there has been considerable public debate, as well as increasing research (albeit often fragmentary) and commentary in the general and specialized press in the recent past, on the impact of both technology and trade on employment in Canada and abroad.

Two studies by EIC on the respective impacts of technology, trade and aggregate demand on employment, using data for the pre-recessionary period, conclude that both technology and trade have had negative impacts on employment. However, for the periods studied, increase in aggregate demand compensated for the loss of employment due to these two factors.

The first study by Sunder Magun analyzed the effects of technological changes on levels of employment by industry and occupation over the period 1971-78. It concluded that while some 600,000 jobs were lost as a result of technological improvements over this period, the influence of changing final demand contributed some 2.3 million jobs, resulting in a net increase of 1.7 million jobs. The majority of the job losses occurred in the manufacturing and other goods-producing sectors.

A second SPP/EIC study on the factors which affected employment growth in 13 selected import-competing industries for the period 1967 - 1981 confirmed the results of the Magun study on the negative impact of productivity improvements and overall positive effect of aggregate demand. Although these factors were the major factors influencing employment shifts in these industries over the period, the study also shows how the net trade balance in the selected industries had an overall negative impact on employment. Increased exports resulted in an increment of some 370,000 jobs in these sectors, while increased import penetration produced employment losses totalling some 570,000 jobs. As a result, the net effect of trade is estimated to have reduced employment by about 200,000 during the period. The increase in overall aggregate demand, however, led to a net increase in employment levels in the industries studied of some 90,000 jobs.

The economic environment of the 1980's is very different from that of the 1960's and 1970's, when the impact of the new micro-electronic technologies were only beginning to be felt and the climate for both economic growth and international trade was more positive. Now, a more intensive and competitive international environment exists. With respect to both technological change and trade, the issue for the future is whether, as in the past, increased aggregate demand will continue to more than compensate for any job losses resulting from these two factors.

Let us now turn to a closer examination of the more specific issues related to employment growth.

2.1 Impact of Technological Change

In Canada, no systematic information exists on the future potential impact of technological change on the economy, various industries and occupations. A study to be completed by the Economic Council by mid-1987 should shed light on this and other related questions.

Discussions of the impact of technological change on employment generally focus on the impact of robotics and various forms of factory automation on the goods-producing sector, and the impact of productivity-enhancing micro-electronic technologies in the office and service sectors of the economy.

With respect to the goods-producing sector, the OECD states in a January 1983 study of the impact of industrial robots on manufacturing in member countries that the employment displacement effects will not be large. In their view, only a relatively small number of jobs in the economy are affected by the introduction of such technologies (less than 1 percent in the United States, for example). The introduction of robots will lead to significant decreases in hours worked, shift work and overtime. Much the same view has been expressed in the United States in a study by the Upjohn Institute for Employment Research. It forecasts that each robot in use will displace two jobs, with an aggregate effect of displacing some 100,000 to 200,000 unskilled and semi-skilled jobs by the end of the decade. In the same period, between 32,000 and 64,000 mainly skilled new jobs will be created, for a net job loss within the U.S. of 68,000-138,000 jobs. The same study predicts that rather than massive job losses due to factory automation, some 88 per cent of workers will be retrained and reemployed within the same company, some 6 per cent will take early retirement, and only 6 per cent will lose their jobs - eventually finding work elsewhere.

While massive job losses may not occur, many fear that jobless growth could characterize our economies as higher levels of output are achieved with little or no actual increase in employment. This is well illustrated in the following example reported in the June 29, 1985 edition of the Financial Post. In 1983, Chrysler Canada Ltd. completely re-equipped and automated its aging Windsor, Ontario plant to produce mini-vans. Automated systems and robotics were an integral part of this transformation, and assembly line operations. The automated systems helped boost output almost 20 units per hour, dropped costs significantly, and yet this was done without any increase in employment levels. It is estimated that boosting production to such levels under the old technology would have required another 600 to 700 workers.

Notwithstanding the above, it is generally agreed that specific industries and certain occupations in the goods-producing sector will be significantly affected by the introduction of new technologies. A study carried out by General Motors, for example, forecasts that some 50 per cent of automotive assembly line jobs will have disappeared by 1986, with most of these being replaced by robots.

In spite of the importance of the manufacturing sector in relation to competitiveness, the issue of the impact of technology on the service sector is vitally important as this sector contains the largest share of employment in Canada. The increased use of micro-electronic technologies, and the computer in particular, has created the basis for the information-based economy; and the production, marketing, and use of such information has led to significant growth in various computer or electronic data businesses and services. While new technologies have created employment opportunities in the service sector through increased demand, the introduction of productivity-enhancing new technologies, or office automation, is raising some concerns regarding the possibility of large scale job losses, as well as for the adjustment problems which they may bring about in the future. Unfortunately, data is scarce and opinions run the range of the spectrum on these issues.

What is certain is that the introduction of new technologies has led to some occupational redundancies and may lead to more in the future. In the telecommunications field for example, new computer-based systems have vastly reduced the need for switchboard operators and maintenance personnel, while technological advancements have virtually eliminated the need for typesetters in newspapers and printing. In addition, the advent of such new systems as banking machines and other automated devices have and will continue to place great pressures on the ingenuity of managers in the way in which they serve their clients and use their employees.

In both the goods-producing and service sectors, women, older workers, and youth have been identified as groups likely to be most vulnerable to technological change. Women tend to be concentrated in the lower skilled occupations most susceptible to the introduction of new technologies. They frequently lack the education and qualifications to move to higher skilled positions, and many are not mobile or flexible in the use of their time. Older workers are more likely to possess outdated skills and experience and to have difficulty adapting to new technologies or information/management systems utilizing micro-electronic technologies, thus limiting their retraining prospects. If few jobs are to be created in various sectors of the economy, or should employers deploy efforts to re-train existing workers when new technologies are adopted, entrance in the labour market for youth may continue to be extremely difficult. It should be noted, however, that the converse could apply. In Japan, for example, the better education and higher flexibility of young workers have led to a relatively greater demand for their services.

In concluding this discussion of the impact of technological change on employment, it is important to note the following observation of a recent Stanford University study on forecasting the impact of new technologies on the future job market in the United States has stressed that the rate of diffusion of technology throughout the economy will be a key factor in determining its overall impact on employment. The faster that robots, computers, and other technological innovations spread throughout the economy, the greater their impact on employment is expected to be. For example, one set of projections developed by Wassily Leontief at the Institute for Economic Analysis at New York University, suggests that rapid technological diffusion could eliminate some 20 million jobs in the United States by the year 2000, or 11 percent of all the jobs that would exist in the absence of further technological diffusion.

The potentially vast increase in productive potential and productivity associated with technology could raise an important issue regarding the access to and distribution of employment opportunities, especially if technology should eventually lead to a reduction in aggregate employment levels. As income in society is largely earned through paid employment, reduced employment opportunities could well shift attention in society from questions regarding the production of goods or information to ones regarding the distribution of income and/or employment. The worst outcome in the view of some observers is one where unemployment resulting from technological change is allowed to mount unchecked, while the benefits from the introduction of new technologies becomes concentrated in fewer and fewer hands.

2.2 Impact of Trade

Canada is increasingly dependent on trade and particularly on trade with the United States, which accounts for three quarters of the country's overall trade and on which nearly one in five jobs depends. Given this and the rising tide of protectionist sentiments in the United States, various proposals for enhanced Canada-U.S. trade links are being discussed. Tariff barriers between the two countries are already relatively low as a result of the 1979 Tokyo round of GATT reductions (approximately 95 per cent of tariffs will have been reduced to 5 per cent or less, by 1987), and it is the elimination of non-tariff barriers to trade such as quotas, subsidies, countervailing duties, and product standards, which would be the object of negotiation. Given the many interrelated and complex complex factors involved, there is considerable uncertainty regarding the potential impact of enhanced trade arrangements on domestic employment levels.

The Macdonald Royal Commission has analyzed the arguments in favour of and against free trade presented in the briefs and papers of academics and various groups and has concluded that, with some dissent, the overall potential benefits outweigh the possible negative effects. It anticipates that trade liberalization would significantly stimulate economic growth. Better jobs and a higher standard of living are also cited as benefits. The Commission argues that this would result from the fact that the potential access to a large U.S. market of more than 200 million people would encourage an efficient re-structuring of the manufacturing sector involving longer production runs, economies of scale and increased productivity.

The Macdonald Commission is silent on the scope of the employment impact of enhanced trade and it must be stressed that there is no firm consensus on this issue.

The Commission acknowledges that within each industry group there would be winners and losers. It predicts the following sectors would have the most difficulty adjusting to such an accord: textiles, clothing and footwear; machinery and equipment; electronics, electrical machinery and equipment; scientific and medical equipment; furniture, tires and household appliances. The industries that should benefit most from a free trade pact are: urban transit equipment; forest products and resource-based industries, ranging from metal mining to oil and gas. Generally, significant adjustments will be required of many firms to re-structure their operations to meet the new challenges. The Commission suggests that Canadian subsidiaries of U.S. companies may be better able to adjust to a free trade pact than smaller, Canadian-owned companies that lack the economies of scale necessary to compete in a wider North American market. To ease the labour market adjustment problems which are likely to result, the Macdonald Commission has suggested a special Transitional Adjustment Assistance Program, to help workers displaced by the impact of free trade.

As we will see in more detail in the section on the views and expectations of Business and Labour later in the paper, the business community is generally in agreement with the Macdonald Commission, while Labour espouses 'managed' or 'planned' trade rather than 'free' trade.

2.3 Growth in Small Businesses

The growth and expansion of the small business sector in both Canada and the United States has accounted for the vast majority of the new employment generated in both countries since the 1981-82 recession, far outstripping the performance of medium to larger firms. These have generally generally been retrenching rather than expanding. According to the Small Business Secretariat in DRIE, some 30.3 per cent of employment in Canada in 1984 was in firms employing 49 people or less, compared to 38.4 per cent in 1977. Statistics Canada data regarding net Canadian job creation by firm size from 1978 to 1982 showed that over this period, firms with fewer than 20 employees created more than 400,000 jobs, while firms with more than 100 employees created about 50,000 jobs. According to the data, some 75 per cent of the jobs created by small firms were created as a result of the formation of new businesses over the 1978-82 period. In its most recent Employment Outlook, the OECD has noted the importance of both small and new establishments of all sizes in job creation.

Table 12 below, prepared by the Canadian Federation of Independent Business, indicates clearly that job growth in the private sector is expected to continue to come from small businesses in the future. It should be noted that this table may underestimate the growth potential of those firms since it was prepared before the last Federal Budget which includes important initiatives to encourage entrepreneurship and growth in the private sector.

It is important to note the high failure rate of many small businesses. For example, as is shown in Table 12, some 3.2 million jobs will have been lost in a decade due to small business failures. This raises issues relating to job security, income maintenance during unemployment, and pensions for Canadians employed in this sector.

Table 12

Projection to 1990 of Recent Trends in Employment in Small and Medium Enterprises, Big Business, and the Broad Public Sector, CANADA

Estimated Total Employment	1980	1990
	(Millions of Employed)	
SME's	5.08	6.2
Large Corporations	2.40	2.4
Public Sector	2.70	2.7
TOTAL	10.18	11.3
Increase in Employment in SME's	(Thousands of Employed)	
Firms started after January 1980	167	3,683
Firms existing before January 1980	86	783
Less decrease due to failures	(135)	(3,238)
Net increase in Employment in SME's	118	1,228

Source: A Study of Job Creation, 1985-82 and Forecasts to 1990, Canadian Federation of Independent Business, December 1983.

One interesting feature of the growth in small businesses is the fact that a significant portion have been started by women. While a decade ago, women accounted for only 18 per cent of small businesses, they now own and operate almost one of every three small businesses in Canada, mostly in services and retail trade. Another interesting feature has been the increased number of small Canadian-owned manufacturing companies (with many having between 100-300 employees) that have begun to export a significant portion of their domestic production, sometimes from a negligible export share a decade ago. Many of these are high-tech oriented firms which have carved out a competitive niche for themselves or are leaders in their own areas of expertise.

3. Changes in Occupational Structure and Skills Demand

Table 13 provides information from COPS regarding the 30 occupations which are expected to contribute the most to employment growth between 1986 - 1992. These are expected to contribute over 40 per cent of the total expected job growth for the period.

Table 13

Occupations Contributing Most to Employment Growth [1]
and their Sensitivity to Economic Conditions
and Technological Change [2]
CANADA (1986-1992)

Occupational Title	Projected Employment 1986 (000's)	Projected Employment 1992 (000's)	Change (000's)	A.A.G.R.	Relative Growth Rate	Sensitivity to Economic Conditions	Sensitivity to Technological Changes
Waiters (Food+Bev)	263.1	306.9	43.8	2.6	MI	M	N-L
Bookkeepers	392.2	434.7	42.4	1.7	MI	M	P-L
Secretaries+Steno	371.3	412.8	41.5	1.8	MI	M	N-L
Truck Drivers	252.7	293.4	40.7	2.5	MI	M	N-L
Salesmen+Com-n.e.c.	555.4	592.8	37.4	1.1	SI	M	N-L
Nurses+Grad+Non-Sup	197.4	225.8	28.4	2.3	MI	M	P-L
Janitors	235.8	264.1	28.3	1.9	MI	M	N-L
Chefs+Cooks	169.8	196.6	26.7	2.5	MI	M	P-L
Cashiers+Tellers	249.1	273.3	24.3	1.6	MI	M	P-L
Financial Officers	152.2	170.2	18.0	1.9	MI	M	X
Gen Off Clerks	143.6	159.7	16.1	1.8	MI	M	N-L
Sales Mgmt Occs	183.1	196.9	13.9	1.2	SI	M	X
Nursing Attendants	86.3	98.9	12.6	2.3	MI	W	P-L
Auto Mechanics	151.2	163.8	12.6	1.3	SI	M	N-L
Hairdressers	74.0	86.2	12.2	2.6	MI	M	N-L
Typists+Clerk-Typ	101.3	113.2	11.8	1.9	MI	M	N-L
Sewing Machine Occs	96.9	108.7	11.8	1.9	MI	W	P-L
Babysitters	96.1	107.7	11.5	1.9	MI	M	N-L
Receptionists	96.0	107.3	11.3	1.9	MI	M	P-L
Bus Drivers	50.1	61.3	11.2	3.4	LI	M	N-L
Other Clerical-Nec	90.9	101.9	11.0	1.9	MI	M	P-L
Guards+Watchmen	81.7	92.6	10.8	2.1	MI	M	N-L
Labour Services	72.8	83.6	10.8	2.3	MI	W	P-L
Superv-Food+Bev Prep	60.0	69.6	9.6	2.5	MI	M	N-L
General Managers	84.5	93.8	9.3	1.8	X	X	X
Superv-Sales+Com	135.1	144.3	9.2	1.1	SI	W	N-L
Industrial Mechanics	93.0	102.1	9.1	1.6	MI	H	P-L
Welding	85.5	94.4	8.9	1.7	MI	H	P-L
Stock Clerks	97.0	106.2	8.8	1.5	MI	M	P-L
Shipping Clerks	90.3	98.8	8.5	1.5	MI	M	P-L

Notes: 1- Included are all occupations which are not supervisory or residual in nature.
2- LI- Large Increase; MI - Moderate Increase; SI - Slow Increase; P-H - Positive High; P-L - Positive Low; N-L - Negative Low; H - High; M - Moderate; W - Weak; X - Not available.

Source: Based on the COPS reference case scenario developed by Informetrica Ltd., August 1985 and COPS computations.

The occupations listed in this table are among the largest occupations in the country, often numbering in excess of 100,000 workers and never less than 50,000. In addition, many of these occupations represent the mainstay of the economy, what have been popularly referred to as the traditional occupations: lower to medium skilled and 'white collar' office jobs. The only higher skilled 'blue collar' occupations listed are auto-mechanics, industrial mechanics, and welders. It is also interesting to note the expected growth of each occupation relative to the growth of aggregate employment during the period, as well as the results of the qualitative analysis carried out by COPS on the likely sensitivity of each occupation to economic conditions and technological change. The relative growth rates show that a large increase is expected for only one occupation - bus drivers - while moderate increases are anticipated for 24 occupations. Sensitivity to economic conditions is expected to be moderate for most occupations but high for welders and industrial mechanics. Sensitivity to technological change ranges from negative-low for occupations like secretaries and stenographers, waiters and truck drivers, to positive-low for occupations like bookkeepers, nurses, cashiers and tellers, and sewing machine operators.

In the context of technological change, it has often been suggested that the fastest growth will occur in the highly-skilled occupations and that serious skills shortages could appear in the future. Very preliminary data from COPS suggest that the fastest growing occupational groups, like those expected to contribute most to employment growth, are not expected to be technology-related, highly-skilled occupations. They would rather be medium to low-skilled particularly in the service sector, or more or less specialized in the entertainment/ recreation area.

It should be noted that these projections and analyses are preliminary and based on a fixed occupational structure of industries. Hence they may misrepresent the requirement for occupations particularly sensitive to shifting occupational distributions brought on by the introduction of new technologies.

The general conclusion that most future job growth will be in traditional occupations is also borne out by data from the Bureau of Labour Statistics in the United States. In their projections for the U.S. labour market, neither high-tech industries nor high-tech occupations will supply a significant (in aggregate terms) portion of new jobs over the next decade. Rather, as in the COPS projections, future job growth favours more traditional service and clerical jobs that require little or no post-secondary schooling and generally pay below-average wages. These projections were discussed extensively at the 1984 Conference of the World Future Society, and the general conclusion was that significant changes will occur in the employment configuration over time in an evolutionary rather than revolutionary fashion. As a consequence, it was suggested that individuals can expect to experience significant changes through their working career and that the question of 'serial careers' may become an issue in the medium to long term.

While there does not appear to be a consensus on the net impact of technology on employment as a whole, there is general agreement that technological change will have major effects on the nature of jobs, the skills they require, and the structure and functioning of organizations. The direction of these effects, however, are still uncertain.

The large scale introduction of some technologies into the economy, such as micro-electronics and computers, may require a higher level of technological understanding in society as a whole. However, there is considerable debate as to whether technology leads to an overwhelming and apparently inexorable trend towards work simplification and de-skilling or whether it requires a more technically sophisticated and increasingly skilled workforce. Some observers contend that those involved in the creation of new systems will be immensely stimulated while the users or operators of the systems will be immensely bored. Still others view technology as having the potential (in combination with other social policies) to liberate individuals from redundant and boring jobs and stimulate individual creativity through more productive jobs or more leisure time.

It is generally agreed, however, that a higher portion of 'mental' rather than 'manual' work will be required. The previously noted Upjohn Institute study has stated that while robots will eliminate low-skill jobs, more than half the jobs they create will require a minimum of 2 years post-secondary education. The experience of most companies to date with factory automation indicates that while a higher level of skills and occupations are generally required, familiarity with the production process remains important. As a result, technological change requires 'added on' training and upgrading rather than completely new skills. However, some less skilled occupations such as welders and painters in assembly line work are now totally redundant. With respect to CAD/CAM systems, they will clearly require a higher or at least additional levels of skill and technical competence.

The new technology opens up the possibility of a significant decentralization of a whole range of production and service activities. For example, with the advent of the home computer, and advances in telecommunications, much clerical and an increasing amount of production work, can be done by individuals at home or by groups of individuals operating out of community workshops. This, in turn, will allow more people to assume greater control over their work, especially choice of hours, pace of activity and level of output. However, as was pointed out in the report of the Task Force on Micro-electronics and Employment, In the Chips, a greater use of home work could also lead to social isolation and, in the absence of effective labour standards, to exploitation. The new technology also has the potential of diminishing the control of the worker over his/her job. Telephone operators now have their calls controlled by computers, increasing their productivity to be sure, but also reducing their control over the pace of work. This is of some importance, as 'control/choice on the job' is often identified as one of the most highly valued of job characteristics. An increase in the pace of work can also result in more psychological stress and such physical symptoms as eyestrain, headaches and neck problems. In addition, whether video display terminals emit significant levels of radiation is still a matter of debate, with industry and labour taking not unpredictable stands.

It has also been suggested that micro-electronics and computers have the potential of blurring traditional distinctions between managers and professionals, clerical and technical staff, and between technical and production workers, and this may bring about a significant restructuring of organizations along more horizontal lines. In this context, some observers have noted the changing role of middle managers from 'order giving managers' to facilitators, creators, motivators, and teachers/mentors. In such an environment, more emphasis would be placed on networking and on the cooperative or team approach to developing and delivering products or services. This need for increased networking is expected to be accompanied by a greater decentralization of decision-making within firms and a greater emphasis on human resource planning and management in organizations, generally. The trend towards 'telecommuting to work,' as well as the increased possibility of decentralizing operations to local markets as a result of developments in flexible manufacturing systems and data networking, will also reinforce this trend.

While highly skilled and qualified individuals are expected to be needed to develop, apply and tend to various new technologies, as the technology itself becomes more sophisticated over time (for example capable of self-diagnosis, or incorporating levels of artificial intelligence), it is expected that the skill levels required to operate such equipment could drop. In addition to de-skilling, one problem that could develop in Canada is the lack of opportunities in various technology or research and development related fields, relative to the number of post-secondary graduates seeking employment in these areas. If such a situation should materialize, it could result in an exodus of highly qualified university graduates in a brain drain similar to that experienced in the 1950's.

4. Summary

- Employment growth is expected to be moderate through 1985-86, and to decrease to a level under 2 percent for the remainder of this decade and the early part of the next. This would be below historical standards;

- The service sector is expected to continue to be the main source of employment growth, although growth rates may begin to taper off towards the end of the decade;

- It is uncertain whether in the future the negative effects of technological change and trade on employment will continue to be offset by increased demand;

- It is uncertain whether new technologies in and by themselves will eliminate a significant amount of jobs overall, or lead to jobless growth. However, some sectors will be more vulnerable than others and important adjustments will be required as firms automate their operations;

- Both bilateral and multilateral trade issues are expected to have a significant overall positive impact on the Canadian economy over the medium term although impacts on and domestic employment levels are uncertain. However, significant adjustments will be required in some sectors and at the firm level;

- Small business enterprises are likely to continue to be the main source of employment growth over the medium term;

- The occupations expected to contribute most to employment in the medium term are the low or medium skill occupations;

- The fastest-growing occupations are not expected to be technologically-related, highly skilled occupations. However, bottlenecks, if they are to occur, will likely involve very specific skills;

- In general, changes in the employment configuration are expected to occur in an evolutionary rather than in a revolutionary fashion.

- Technological change is expected to have major, but unpredictable, impacts on the nature of jobs and on the organization of the workplace;

B. Supply of Labour

In a previous section, natural population increase and net international immigration as the determinants of total population growth were analysed. In this section, we will discuss trends in the supply of labour which, in addition to being influenced by the size of the working-age population, depend on the choice made by people to participate or not in the labour force, in the nature of this choice and, for certain groups, on the effects of systemic discrimination. We will also discuss the quality of the work-force in terms of its educational attainment. These factors should help circumscribe the challenges which Canada will face in the period of structural changes which lies ahead, as it attempts to improve growth and reduce unemployment, improve equality of access to the labour market and meet the skill demands of the economy

1. Labour Force Growth and Composition

The source population is the total non-institutional, civilian population of fifteen years of age or more. The size of the labour force is determined by both demographic trends within the source population and the participation rate (proportion of the source population which is ready, willing and able to work).

In the period 1961-1981, the source population growth rate remained relatively stable at just over 2 per cent. Growth in the labour force exceeded 3 per cent on the average during the period and was considerably influenced by the aging of the post-war baby boom and high net international immigration.

As is shown in Table 15 below, the growth rate of the source population has begun to decline and is expected to reach a low of around 1 per cent towards the end of the planning period. With respect to the labour force, it is expected that it will grow at a lower rate than the historical standard, while continuing to exceed that of the source population.

Although the forecasters do not agree on the actual rate of labour force growth to be expected, their forecasts suggest some stability in the pattern over the period, with the exception of a possible sharp drop in 1989, should the Conference Board projections be realized.

Comparative projections beyond 1989 by Informetrica suggest continuing moderate declines in both source population and labour force growth rates throughout the 1990's to around 0.9 per cent and 1.1 per cent, respectively, in 2001.

Table 14

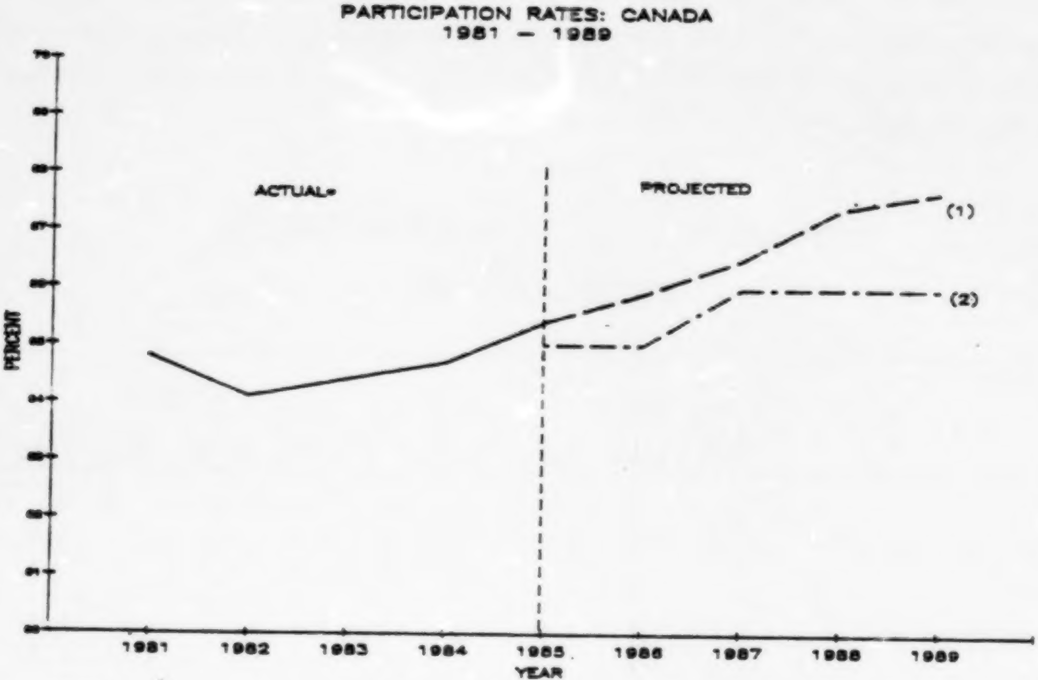
Growth of the Canadian Source Population and Labour Force
Canada: 1981-1989

	Actual *					Projected				
	1981	1982	1983	1984		1985	1986	1987	1988	1989
Source Population	1.8	1.6	1.4	1.2	(1)	1.2	1.1	1.0	0.9	0.9
					(2)	1.1	1.1	1.1	1.0	1.0
Labour Force	2.9	0.5	1.9	1.8	(1)	2.2	1.9	2.0	2.2	1.4
					(2)	1.6	1.7	1.6	1.5	1.5

Source: * Statistics Canada, 'Historical Labour Force,' Cat. No. 71-201, 1984.
(1) Conference Board, MTFM Forecast, Control Solution, July 1985.
(2) Informetrica Ltd., Post 1-85 Forecast, August 1985.

As noted above, the link between the source population and the labour force is the participation rate. Since the growth rate of the labour force has exceeded that of the source population in the period 1961-1981, it follows that the aggregate participation rate has also been rising. As is shown in the following chart, the participation rate moved from 57.3 per cent to 63.1 per cent from 1961 to 1971, and following a small recession-induced decline in 1982, it continued to increase reaching a peak of 65.0 per cent in 1984. While forecasts to 1989 suggest the continuation of this upward trend, it is unsure whether this pace will continue to be as slow as observed in the recent past and stabilize as suggested by Informetrica, or accelerate, as suggested by the Conference Board.

Chart 9



Source: *Statistics Canada, 'Historical Labour Force,' Cat. No. 71-201, 1984.
1) Conference Board, MTFM Forecast. Control Solution, July 1984.
2) Informetrica Ltd., Post I-85 Forecast, August 1985.

From the perspective of labour market policies, it is important to note the significant differences which exist in the participation rates of various age and sex groups. Table 15 provides projected participation rates by age and sex until 2001.

A number of factors have combined over the years to influence the upward movement of participation rates, including: (i) changing personal aspirations of women and, in particular, an increased desire on their part to work outside the home (ii) a reduction in the fertility rate which may

Table 15

Participation Rates by Age and Sex
Canada: 1984-2001

	1984 (Actual)	1991 (Projected)	2001 (Projected)
Males			
15-24	69.8	72.8	77.7
25-54	93.5	95.3	95.3
55 and over	42.8	39.9	35.9
Total Males	76.5	76.1	77.3
Females			
15-24	63.6	65.5	70.7
25-54	66.7	71.9	81.0
55 and over	18.1	15.4	17.1
Total Females	53.5	55.6	60.2
Both Sexes			
15-24	66.7	69.2	74.2
25-54	80.0	83.6	88.2
55 and over	29.3	28.0	28.0
CANADA	64.7	66.8	68.9

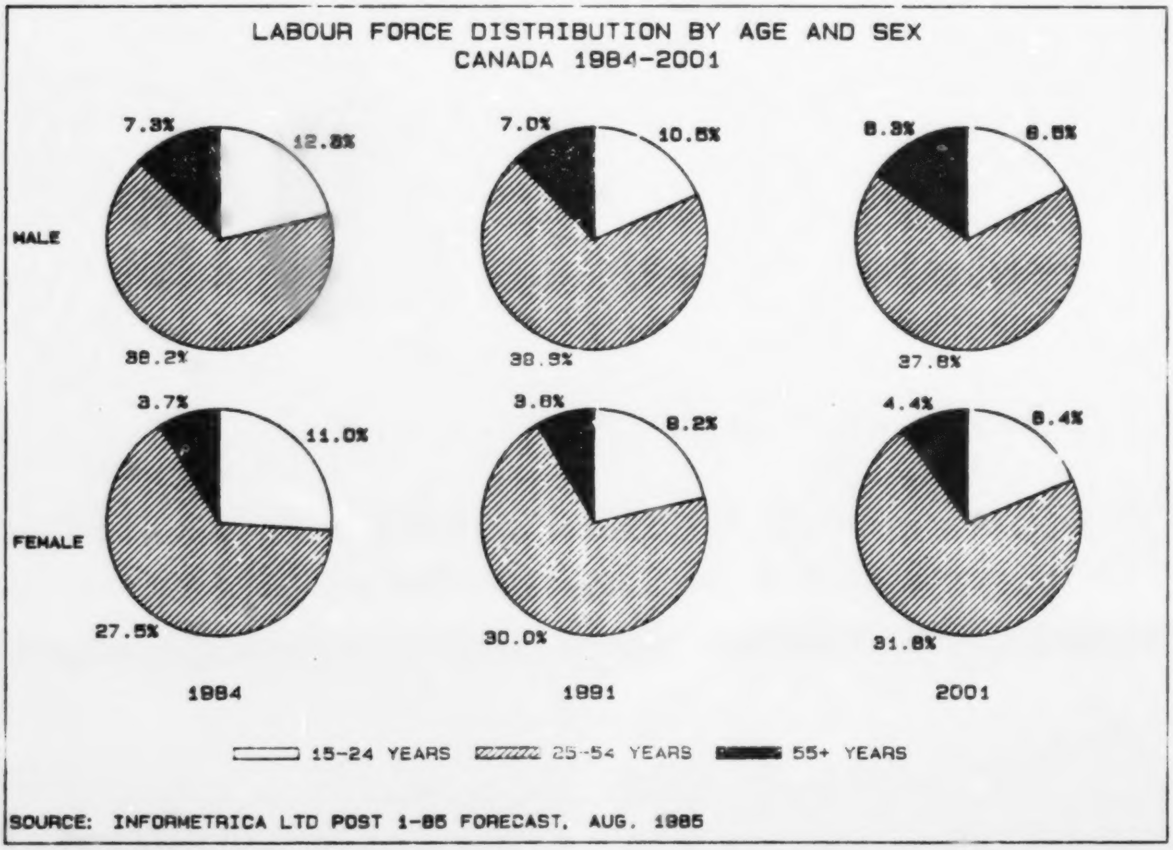
Source: Informetrica Ltd., Post 1-85 Forecast, August 1985.

have acted as both cause and effect in changing women's aspirations (iii) the aging of the population given that participation rates in the aggregate tend to increase with age and, (iv) the aspirations of the general population to maintain the level of 'relative income' over time. Based on this theory, the number of two-earner families would likely increase in order to maintain a previous standard of living when economic conditions worsen or needs increase. Similarly, young people may delay marriage or children in order to establish a standard of living similar to the one they knew before leaving home. This has a direct negative effect on the fertility rate and a positive effect on male and female participation rates, but particularly on the rate of young married women.

The combined effect of all these factors is expected to continue to influence participation rates during the planning period, given the continuance in demographic trends, the poor prospects for economic growth and the unlikely reversal of the established trends about lifestyles, values and expectations. However, the most dramatic effects of these factors on the aggregate participation rates may have already been felt.

As a result of both demographic variables and rates of participation, there are expected to be significant shifts in the relative proportion of various age and sex groups in the labour force in the mid term, as can be seen in Chart 10.

Chart 10



SOURCE: INFORMETRICA LTD POST 1-85 FORECAST, AUG. 1985

It is important to stress that (i) in spite of increasing participation rates, youth are expected to be a decreasing proportion of the labour force and, conversely (ii) older people are expected to be an increasing proportion, even though their participation rates are projected to decrease somewhat. In the case of females, increases in both source population and participation rates are expected to be reflected in an increasing contribution to labour force growth.

The youth unemployment problem has been much discussed in public debates and some are suggesting, in line with our observation above, that the problem should become less pressing in the future. However, a discussion of the 'youth problem' cannot ignore the numbers in the cohort as there still will be upwards of some two-and-a-half million young people in the labour force throughout the next decade. In addition, the youth unemployment problem cannot be divorced from the increased competition which is likely to occur with prime-aged workers for scarce jobs in a low growth environment. As seen from data presented previously, the portion of the labour force in the 25-54 age group, (and particularly the 25-34 age group), is expected to increase considerably between 1984 and 1991, eventually comprising nearly 70 per cent of the labour force.

In absolute terms, there will be more people over 55 in the labour force by the year 2001 than now (12.7 per cent in 2001 translates into about two million workers versus today's 1.4 million) and close to five million outside of it (as opposed to just under 3.4 million now). This will put considerable pressure on our ability to use older workers productively. In addition, other issues which will arise as a result of the aging of the labour force include adequate pension planning for both individuals and governments and provisions for early or gradual retirement of older workers to open job opportunities and opportunities for career advancements for younger individuals. In the context of slow job growth, and consequent slow turn-over in personnel, another issue will be to maintain the vitality of organizations and institutions over time.

Should employment growth be strong over the next 5 to 15 years, the next 30 years could be a period of demographic advantage. The per capita financial burden of educating the young and providing retirement pensions will be at its minimum as the majority of the population will be of working age and, potentially at least, self supporting through employment. However, should a significant portion of these individuals not be able to acquire relatively stable employment and thus establish a base for pensions and other such benefits, the social security system could come under increasing pressure both in the immediate as well as longer term.

2. Labour Force Participation of Selected Groups

Special mention should be made regarding the participation of Native people, visible minority groups, the disabled, and women in the labour force. Table 16 provides some data on the relative population sizes, labour force size, and participation rates of these groups.

Table 16

Labour Force Characteristics of the Total Population
Women, Disabled Persons, Native People and Visible Minorities
October 1983 - June 1984 Data

Characteristics	Total Population	% of Total Population[1]			Total Population	% of Total Population[2]	
		Males	Females	Disabled Persons		Native People	Visible Minorities
Population 15+	19,136,000	48.9	51.1	12.8	18,609,000	1.6	4.8
Labour Force	12,327,000	55.3	41.7	6.3	12,054,000	1.2	5.2
Employed	11,094,000	58.6	41.4	6.1	11,168,000	1.1	5.2
Participation Rate	64.4	76.8	52.5	31.6	64.8	50.5	72.5
Employment/ Population Ratio	58.0	69.5	47.0	27.6	60.0	42.4	67.9

N.B. Data rounded to thousands by Statistics Canada.

Sources: [1] Unpublished data, October 1983 - June 1984, Canadian Health and Disability Survey, Statistics Canada, September 1985.
[2] Unpublished data, 1981 Census of Canada, obtained from Statistics Canada by CEIC.

According to the 1981 Census, half of the adult Native population (comprising status and non-status Indians, Métis and Inuit) were in the labour force compared with about two-thirds of non-Natives. It is important to note that participation of Native persons is especially low in rural areas. Given the expected overall appreciation in natural population among Natives (discussed earlier), it is generally estimated that Canada's Native working age population will be growing at a rate in excess of 2.5 that of the population as a whole during the planning period. As noted by the Abella Commission, data from the 1981 Census on the representation of Native groups in various occupations in Canada show Natives generally being concentrated in the primary sector in low-skilled and semi-skilled occupations.

The participation rate for disabled persons (including persons with both physical and mental impairments) was estimated to be 31.6 per cent in a special Statistics Canada study which covered the period October 1983 - June 1984. While disability may limit the nature of work, disability may or may not represent a handicap affecting employment or employability. Of the disabled persons employed, it was shown in the survey referred to above that over 30 per cent are found in clerical and service occupations.

The participation rate of males and females in various visible minority groups, with the exception of males of Indochinese origin, is estimated in the 1981 census data to be somewhat higher than the national average. Employment problems tend to vary from group to group, but major problems seem to be the concentration of certain groups in low income, and lower skilled positions (particularly for Indochinese, Central and South American, and Blacks), in certain occupations, as well as direct discrimination against individuals of certain groups.

Data indicate that women continue to face a number of employment-related problems, barriers, or inequities in the labour market. A recent Statistics Canada publication on various aspects of the social and economic participation of women in Canadian society shows that the average annual earnings of women working both full-time and part-time remain below those of men (at 64.0 per cent and 90 per cent respectively). Education does not serve to improve the relative position of women vis-à-vis men: in 1982, the average earnings of women with university degrees were still only 67.2 per cent of the average for men with corresponding education. Women are concentrated in certain occupations and jobs. In 1983 for example, 77 per cent of all female employees worked in just five occupational groups - clerical, service, sales, health, and teaching. Women also are found in disproportionate numbers in clerical and lower skilled positions which, as already noted, tend to be highly vulnerable to technological change. Finally, women are severely underrepresented in the higher level positions within various occupational groups. It should be noted that some of the differences between men and women in the aggregate statistics can be accounted for by the lower number of hours worked by women and their lower number of years of experience.

3. Modes of Participation

An important characteristic of the labour supply is the extent of the attachment to the labour force through full or part-time work.

According to Statistics Canada, which defines a part-timer as someone who works less than 30 hours a week, some 15.4 per cent of Canada's employees, or nearly 1.7 million individuals, worked part-time in 1984, compared to only 10.6 per cent and slightly over 1 million individuals in 1975. Over the period 1975-80, growth rates for part-time employment were considerably higher than those for full-time employment, averaging about 6.6 per cent compared to 2.5 per cent for full-time employment growth. Since 1980, part-time employment growth has been slower than in the past, but still increased by 297,000 jobs or 21.3 per cent. Full-time employment on the other hand has actually declined by some 5,000 jobs, or a decrease of 2.3 per cent from 1980 levels as a result of the severe impact of the 1981-82 recession.

Medium term projections by the Conference Board suggest an increase in part-time employment of 3.8 per cent for 1985, followed by a sharp decline of -.4 per cent in 1986, and then a resumption of growth of 2.7 per cent, 4.0 per cent, and 3.3 per cent for the years 1987, 1988, and 1989 respectively. These growth rates would be higher than the projected growth rates for aggregate employment growth for the period. These are expected to vary between 1.6 per cent and 3.0 per cent.

The long-run historical trends shown in the chart below on the distribution of both full and part-time employment among men and women clearly indicate that part-time employment is predominantly a women's phenomenon, with women aged 25 and over representing the largest single group in part-time employment (or some 7.3% of all employment in Canada in 1984). Over the last decade, the ratio of female to male part-time employment has remained constant at about 2.5:1. In addition, it should be noted that part-time employment is an increasingly important source of jobs for youth: part-time youth employment represented 6.6 per cent of total employment in Canada in 1984 compared to 5 per cent in 1975. Over the same period, the portion of youth in full-time employment fell from 20.6 to 15.0 per cent.

Part-time employment
employment and emplo
to Statistics Canada,
women engaged exclu
entire year. The
employment has been

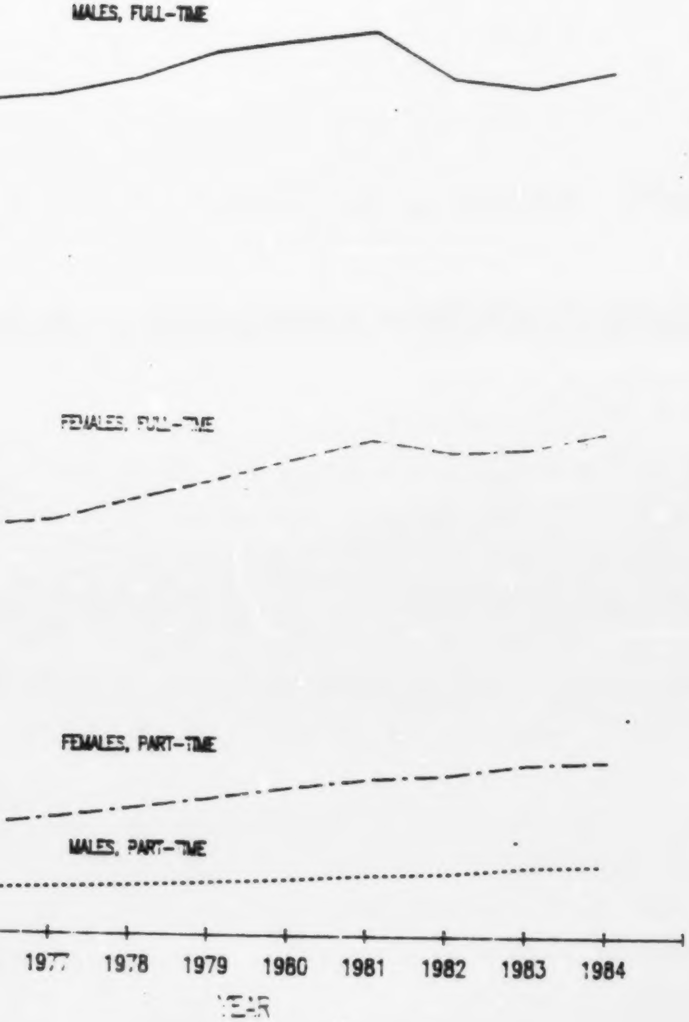
EMPL

Source: Statistics

also tends to be associated with part-year
yment in specific sectors of the economy. According
only 32.4 per cent of men and 43.6 per cent of
sively in part-time employment in 1984, worked the
average number of hours worked in part-time
relatively

Chart 11

LOYMENT, FULL-TIME AND PART-TIME BY SEX,
CANADA (1975 - 1984)



s Canada, Catalogue 71-201 (Annual).

constant at 15 hours per week over the period 1975-84. In addition, part-time employment is more concentrated in the service and retail/wholesale sectors, accounting for over 30 per cent and over 25 per cent in each, respectively.

Labour Canada's 1983 Commission of Inquiry into Part-Time Work suggests that part-time employment is not a form of underemployment (and thus primarily a demand-driven phenomenon). This is based on their observation that the majority of part-time workers do not want to work additional hours. According to the Commission's report, fewer than one-in-five part-time workers indicated they worked part-time because full-time work was not available, and this held for all age groups. Given the increased tendency of employers to opt for part-time rather than full-time employment since the 1981-82 recession, this may be changing. More recent 1984 data from Statistics Canada indicate that one third of Canada's part-timers aged 25-54 would prefer a full-time job, while some 44 per cent said they worked part-time because they wanted to.

The Commission of Inquiry predicts that the relative importance of part-time work will continue for two main reasons. On the one hand, the demand for part-time employees will increase as employers realize there could be productivity gains through a more careful scheduling of staff. On the other hand, as attitudes continue to change about the work/education cycle, leisure and parenting, there will be increasing demand on the part of workers for more flexibility in working arrangements. Some observers contend, however, that the attraction of part-time employment may diminish considerably over the next few years as legislation is introduced to require employers to extend or pro rate pension and other benefits to part-timers.

If high unemployment, and particularly structural unemployment, continues to persist in our economy over the medium term, there are likely to be pressures on public policy to adjust working time to redistribute the available jobs to more of those who want to work. In addition to increased part-time work (including job-sharing), short time and voluntary reductions in working time by individual workers, these could include:

(i) adjustments to the length of people's working lifetime through, for example, more schooling or earlier or gradual retirement (ii) reductions in weekly working hours including reductions in the standard working week, reduced overtime and double job-holding, and (iii) reductions in weeks actually worked per year including more paid leave (both recreational and 'special' leave), more public holidays, and leave - paid or unpaid - to undertake training away from the job. It should be noted that annual hours worked have declined continuously over the past fifty years with an average reduction of some 0.5 per cent per year.

As suggested above, these changes are likely to be met positively by workers since they are also likely to want increased flexibility. Main issues of course will be whether these changes will be accepted if they entail reductions in wages, and if guarantees for pensions and other social benefits are not provided for part-time employment. To date, Manitoba has enacted legislation governing pensions for part-timers, and the federal government, Québec, and Alberta are considering legislation to include provisions for coverage of part-timers. Other provinces are also expected to introduce legislative amendments in the near future.

In Western Europe, the issue of involuntary technological unemployment is being perceived as real, and Western European leaders and unions are concerned about the risk of declining employment levels and mass unemployment. As a result, unions have demanded a shorter week while being obliged to accept with restrained, or cuts in, wages. In the Dutch metal industry, unions have accepted a pay freeze provided the work week is reduced by 5 per cent. The French Government legislated a one-hour cut to 39 hours of work a week in industry, with a further reduction to 35 by 1985. The further cuts below 39 hours have been linked to wage reductions. For every cut, workers will have to accept a 50 to 70 per cent cut in earnings normally received for that hour. Like the unions in the Dutch metal industry, the unions in Belgium have accepted a pay freeze in 1983 and 1984, provided hours per week are cut by 5 per cent. In addition, many European countries have been vigorous in their efforts to either lower the official retirement age or encourage phased early retirement schemes amongst older workers, even though such measures have proved more costly than initially anticipated.

4. Training and Education

Over the next decade, rapid technological developments, the increasing diffusion of technology in all sectors of society, and structural changes will alter the nature of our economy and society in profound ways. In particular, significant changes are forecast to occur in the employment configuration over time and in the pace of change in the nature of the jobs. In this context, individuals can expect to live through major changes over their work lives as old jobs disappear and as the content of existing jobs change. The question of 'serial careers' may become an important issue in the medium to long term. This phenomenon will imply a breakdown in the traditional cycle of school/work/retirement, as training and retraining are needed to adapt to the changing requirements of the economy. This will require of individuals a profound change of attitudes about education in the overall context of their lives, greater flexibility of mind and an increased ability to cope with uncertainty. At the same time, educational institutions and employers will be required to become more adaptive.

As one indicator of the preparedness of the population to meet these challenges, we examine below trends in the levels of educational attainment in Canada.

Table 17 shows how the educational attainment of the source population and the labour force has increased over the period 1975-1984. Since in that period, the participation rates have increased for all groups, except for those with less than Grade 9, the bulk of the labour force itself is now better educated with larger proportions of both high school and university graduates within its ranks. The table also highlights how the fact of having a trade or a university degree decreases the probability of becoming unemployed.

Table 17

Distribution of Labour Force and Source Population by Educational Attainment
Canada: 1975-1984

Educational Level Attained	Source Population		Participation Rates		Labour Force		Unemployment Rates	
	1975	1984	1975	1984	1975	1984	1975	1984
0-8 Grades	26.8	20.2	46.2	40.7	20.3	12.7	8.2	13.4
High School	46.0	50.0	62.6	66.3	47.2	51.2	8.0	13.0
Some Post-Secondary	8.7	8.9	67.1	72.0	9.5	9.9	6.4	11.2
Post-Secondary	11.6	11.2	72.6	77.9	13.7	13.5	4.3	8.4
University Degree	6.9	9.7	82.0	84.8	9.3	12.7	3.0	5.3
CANADA	100.0	100.0	61.1	64.8	100.0	100.0	6.9	11.3

Source: Statistics Canada, Labour Force Annual Averages: 1975-1983 Cat. No. 71-529 (Occasional).

Employment/population ratios further support this last point as they clearly show that shares of employment increase as levels of education attained increase. Employment/population ratios for 1984 were as follows: all ages 57.4; 0-8 years schooling, 35.3 per cent; high school, 57.7 per cent; some post-secondary, 64.0 per cent; post-secondary diploma, 80.3 per cent.

There has been much concern expressed about the phenomenon of functional illiteracy in our society (defined as people with less than grade 9 education). As the data above show, functional illiterates have lower rates of participation in the labour force, lower shares of employment and a higher unemployment level than those with higher levels of education. The 1981 Census showed that more than 3.7 million people over 15 years old were functionally illiterate; and it is estimated that over half are 55 years old. As a result, the downward trend shown in Table 17, is expected to accelerate over the next fifteen years.

Projections of future educational levels are very difficult to establish with certainty, given the interplay of demographic and socio-economic factors.

Projections to the end of the decade from both the COPS Student Flow Model and the Statistics Canada School Leavers Model for full time post-secondary enrolments and graduations suggest these will decline over the planning period, largely due to the declining size of the relevant school age populations. The COPS Student Flow Model, for example, which uses assumptions made in 1982 by COPS and Provincial governments regarding trends to 1990, projects university enrolments and graduations to decline by some 11.6 per cent, and 19.0 per cent, respectively, over the period 1985 to 1990. The simulation for community colleges predicts a decline in enrolment and graduations of some 8.7 per cent and 12.0 per cent, respectively.

While published data on enrolments is available only to 1983, early release to EIC by Statistics Canada of preliminary 1983-84 and 1984-85 actual enrolments indicate that for these years, the actual levels of enrolment figures for both community colleges and universities have been substantially higher than the projected levels in both the Statistics Canada and COPS simulations for the corresponding years. Whether this increase in enrolments was due to the tight job market, or a greater number of individuals returning to the post-secondary system for upgarding or retraining, or some other factor, is still the subject of some speculation. As well, this raises the question of whether aggregate enrolment levels will indeed begin to taper off as had been anticipated by the forecasts for the planning period.

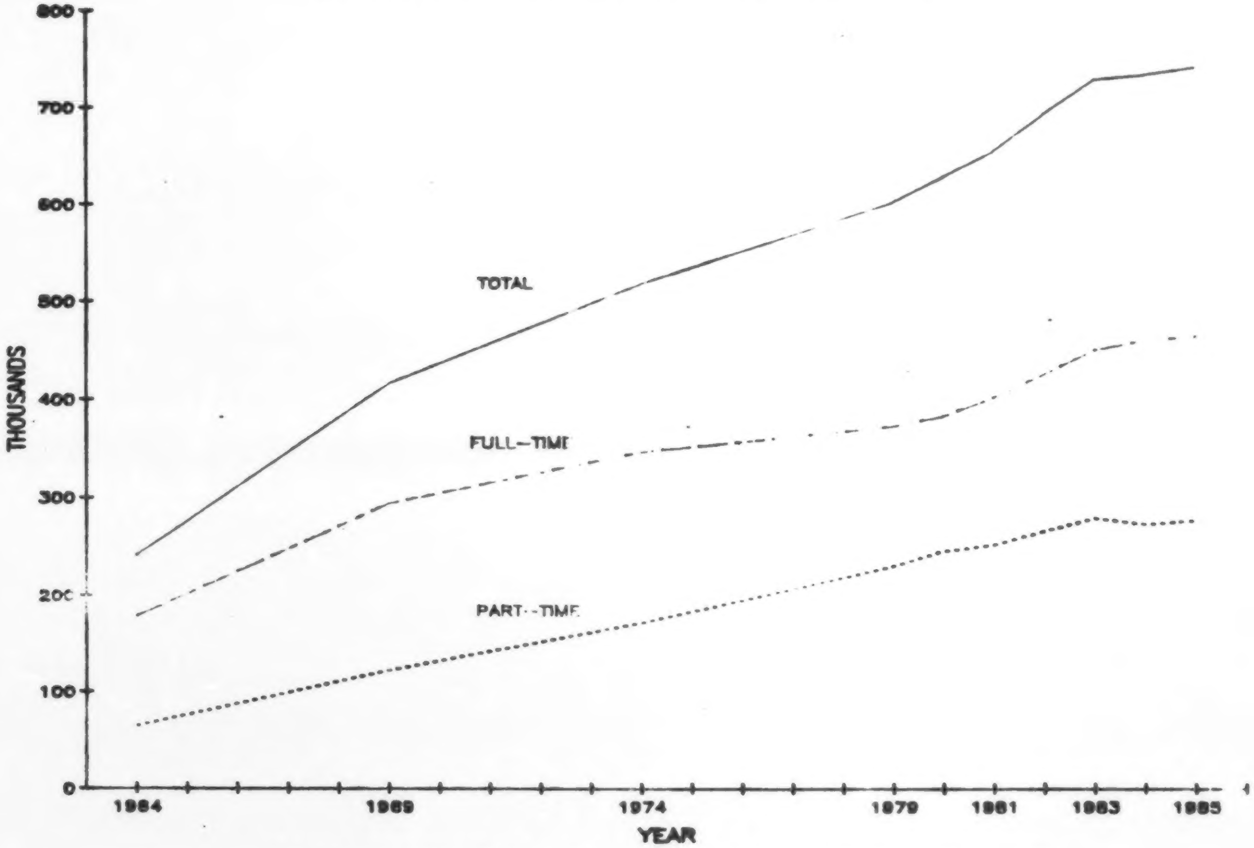
What remains clear, however, is that on an aggregate basis, the future labour force will be increasingly well educated as a result of the cumulative effect of the steady flow of post-secondary graduates who have entered the labour force since the late 1960s.

Another phenomenon which should be stressed is the increasing trend towards part-time degree-related enrolment in universities, as indicated in the chart below. Part-time data for Community Colleges have only begun to be collected in 1983 and comparable figures are not as yet available.

As the labour force gradually matures over the course of the decade, and as the concept of life-long learning becomes necessary as much for economic reasons as for reasons of social or individual choice, universities and community colleges may likely see a growth in part-time enrolments and in the number of mature students in their systems.

Chart 12

DEGREE/CREDIT COURSE ENROLMENT OF CANADIAN UNIVERSITIES BY TYPE OF ATTENDANCE, 1964 TO 1985



Source: Statistics Canada, Catalogue 71-201 (Annual)

In concluding this section, an additional note is warranted on the issue of illiteracy. There is increasing concern that the current definition to indicate the minimum requirement for functioning in the adult labour market in Canada is no longer adequate in our changing society. The trends would suggest that mere reading and writing skills will become increasingly irrelevant in the age of rapidly advancing technology, which has been dubbed the 'information' age. In this context, there would seem to be a need to broaden the definition to encompass whether people have the education and skills necessary to participate productively in the life of their society. If so, a special effort will be required to ensure that all adults in the future possess not only the knowledge but also the ability to function within this new reality. As noted in a previous section of the paper, this will involve preparing people for life-long learning and flexibility, developing creativity and stressing the ability to function in a society where networking and participatory decision-making will be important.

5. Summary

- The rate of growth of the labour force in the future is expected to be significantly lower and to follow more closely the rate of growth of the source population than in the past;

- Participation rates are expected to continue to rise in the aggregate, but possibly at a slower pace than in the past. However, women's participation rates will continue to increase significantly;

- Young people are expected to constitute a decreasing proportion of the workforce in spite of the likely continued increase in their participation rates; and the 25-34 age cohort will swell as the baby boom generation ages;

- Older workers are expected to constitute an increasing proportion of the labour force in spite of declining participation rates;

- The share of part-time employment as a proportion of total employment is increasing, with part-time employment largely being concentrated in youths and women aged 25 and over;

- Increased flexibility in working time arrangements, more generally, is expected;

- ° The level of education of Canada's source population has been increasing as has the level of education of the labour force; of particular significance is the fast declining numbers of illiterates in the source population. There will, however, be a need to re-define illiteracy in light of society's new requirements.

- ° Future trends in enrolments and graduations are uncertain. However, the labour force is expected to be increasingly well-educated and mature as the result of both demographic factors and the cumulative effect of past trends in educational attainment;

- ° There are expected to be increased part-time enrolments of mature students in the post-secondary system;

C. Unemployment

In previous sections of this paper, we have discussed trends and forces in the global and Canadian economic environments which, together with technological change, are likely to continue to dominate economic affairs throughout the rest of the decade. In this relatively slow growth, highly competitive and increasingly technology-based environment, we will now assess the prospects for unemployment over the medium term.

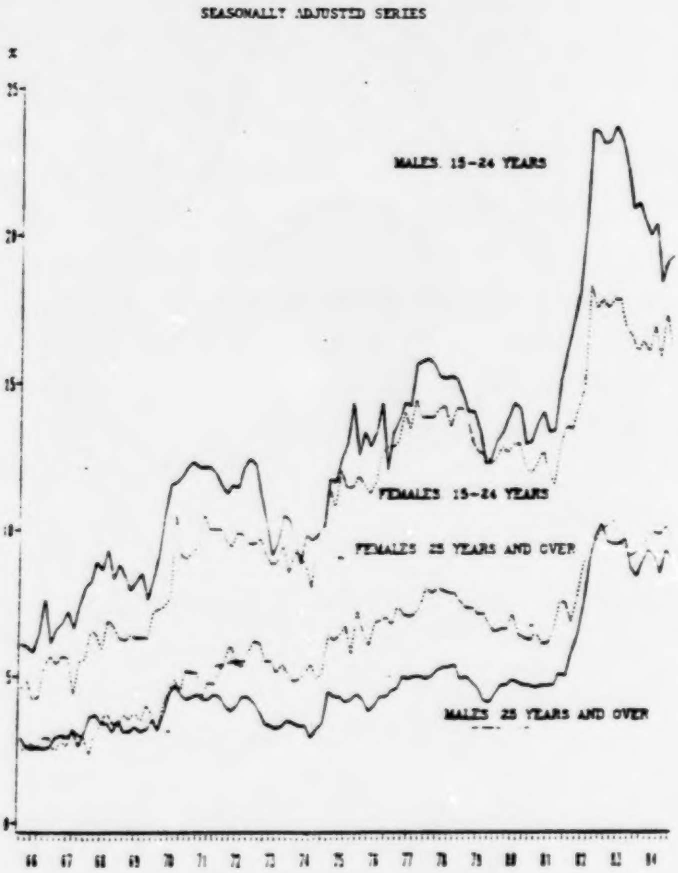
1. Aggregate level of Unemployment

As can be seen in the chart below, there was a gradual upward trend in the rate of unemployment between 1966 and 1981. Following a dramatic increase during the recession, unemployment has been declining steadily since 1983.

The chart below also clearly demonstrates the continuing greater severity over time of the unemployment phenomenon among young people compared with adult workers.

Chart 13

UNEMPLOYMENT RATE, BY AGE AND SEX, CANADA (1966-1984)



Source: Statistics Canada, Catalogue 71-201 (Annual).

The actual rate for 1985 is now expected to be at or below the rate forecast for the end of 1986 by both the Department of Finance in its Spring Budget (10.3%) and by the OECD in its latest Employment Outlook (10.75%) In the OECD forecast for 1986, Canada's rate of unemployment would be slightly below those of the U.K. (11.75%), France (11.5%) and Italy (11.00%), but above those of the U.S. (7.5%) and Germany (8.0%). Of the major industrial countries, only Japan continues to experience very low rates of unemployment (forecast at 2.5% in 1986).

Forecasts of average unemployment rates until the end of the decade vary from 9.0 per cent (Informetrica, 1985-1989), 9.6 per cent (Conference Board, 1985-1989), and 9.7 per cent (Macdonald Commission, 1985-1990).

The forecast of the Macdonald Commission is an average of four scenarios assuming a continuation of existing policies and programs and no major changes in the external Canadian economic environment. Averages in other scenarios range from a high of 10.3 per cent to a low of 8.77 per cent. Year-to-year projections by Informetrica and the Conference Board suggest a gradual decline, with unemployment falling below 10 per cent in 1987.

The Macdonald Commission has stated that the unemployment rate in Canada could fall to 5 per cent by 1990 if major economic, industrial, and social policy changes were implemented. These would include among other recommendations of the Commission (i) negotiating a Canada-U.S. free trade pact to ensure better access to the much greater U.S. market (ii) greater reliance on market forces generally to keep the economy healthy and competitive (iii) cutting the federal deficit by $10 billion by 1990-91 (iv) adopting a more expansionist monetary policy in order to bring down interest rates and promote job creating economic growth (v) adopting a guaranteed annual income plan in place of existing social security programs, while at the same time tightening Canada's unemployment insurance program, improving training, and implementing a voucher system to channel federal funds directly to students, and (vi) improving the federal system by creating new institutions for federal-provincial cooperation and removing barriers to the movements of goods and people between the provinces.

Based on the assumption that dramatic changes are not to occur in policy, projections for the period 1990-2000 by the Macdonald Commission anticipate a further decline in unemployment to 8.8 per cent in the most pessimistic scenario or to 6.65 per cent in the most optimistic. The average of the four forecasts predicts the unemployment level to average 7.5 per cent for the period. This decline in the unemployment rate would result from the expected fall in the absolute numbers of 15-24 year olds entering the labour force, coupled with a slight slowing of the growth in participation rates for both males and females.

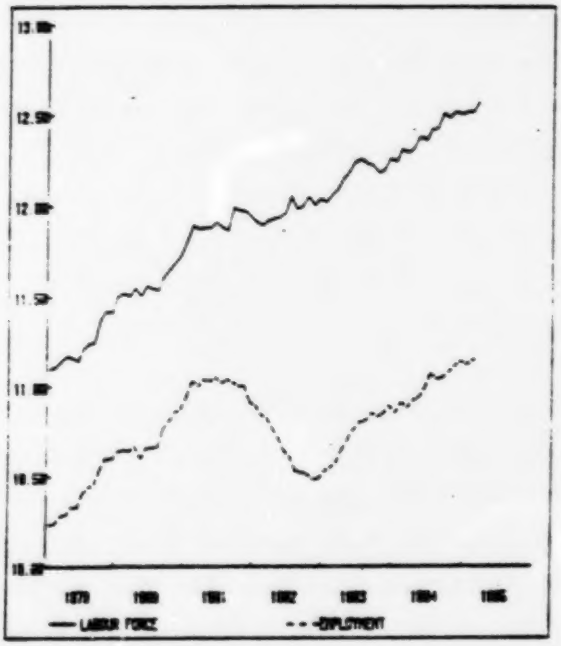
So far in the paper, we have shown that there exists a high degree of uncertainty about the global and Canadian economic prospects, employment growth prospects, the potential impact of technological changes and trade on these, and the scope of the adjustment problems they will bring about. In such an environment, it is also difficult to forecast trends in unemployment with a high degree of confidence. Furthermore, the combined effects of these factors in the recent past would tend to suggest that major or rapid structural changes are occurring in our economy which may inhibit major inroads in the unemployment phenomenon.

The chart below depicts well the depth of the job gap which has developed since the recession. It also suggests that it will not close appreciably in the foreseeable future, unless there is an important (but unlikely) acceleration in employment growth.

Chart 14

JOB GAP

(in millions)



Source: Based on data from Statistics Canada, Catalogue 71-201, Annual

If job growth in the aggregate has been sufficient to date to recapture the jobs lost during the recession, important adjustment problems have resulted from the mismatch between the economic recession's job losses and the recovery's job gains. About 86 per cent of all jobs lost during the recession were lost in the goods-producing sector while only about 25 per cent of the post-recession jobs have been created in that sector. Employment growth forecasts for the goods-producing sector are not optimistic. As well, this sector is highly vulnerable to technological change and changing patterns of trade, the effects of which on sectoral employment growth remain very uncertain.

In assessing prospects for unemployment, the overall impact of technological change and trade in the labour market must also be considered. There is no consensus regarding the net impact of these factors on aggregate employment levels over the medium to longer term. However, there is general agreement that even if increased demand were to compensate for jobs lost due to these factors, important dislocations would still occur within the labour market as some jobs disappear, new but perhaps different jobs are created, and the content of, or skills required in, existing jobs change. The climate of uncertainty is further exacerbated by the difficulty in forecasting the rate of diffusion of technological change.

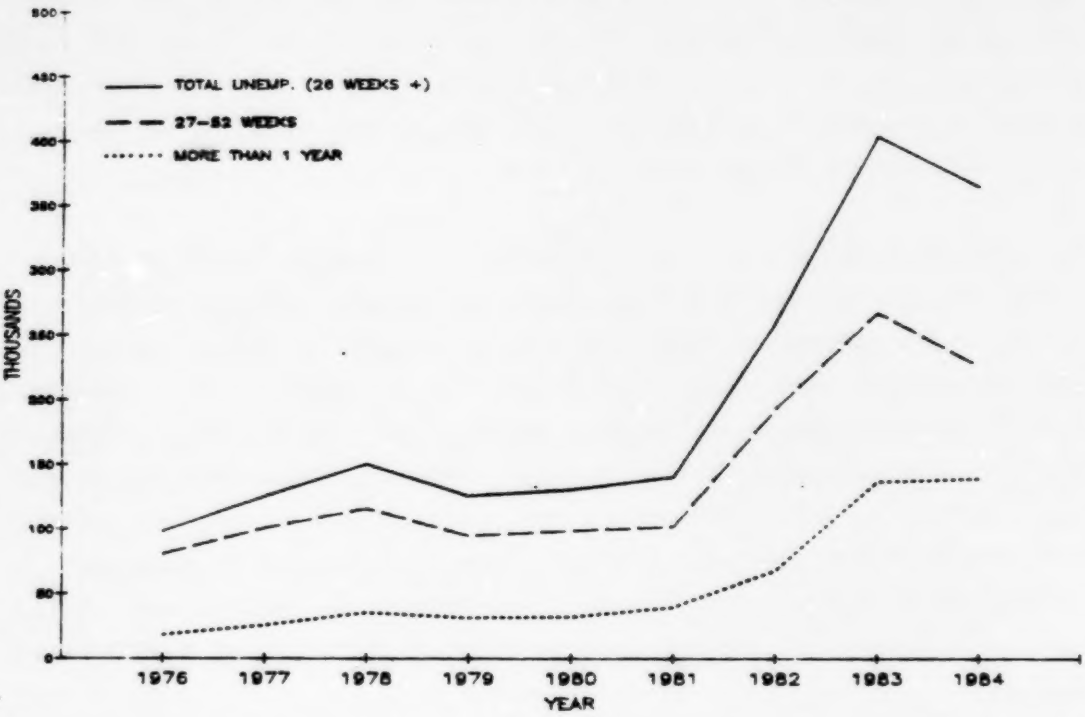
In such an environment, labour market development strategies in Europe seem to be increasingly based on the assumption that foreseeable rates of economic growth may not make major inroads into the unemployment problem. As we have noted in the section on the supply of labour, a number of European countries are actively pursuing a variety of approaches aimed at reducing the supply of labour in order to re-distribute the available work more equitably throughout society. Additional effort on their part is also being directed towards stimulating the creation of economically viable (but not necessarily profit-making) jobs in support of community development which capitalize on the resources of the informal economy.

2. Duration of Unemployment

Between 1981 and 1983, the number of longer-term and long-term unemployed rose sharply. Although a decline was registered between 1983-1984, the phenomenon is still very significant in comparison to past levels, as can be seen from the chart below.

Chart 15

LONG-TERM UNEMPLOYED IN THE CANADIAN LABOUR MARKET
1976 – 1984



Source: Based on data from Statistics Canada, Labour Force Survey, Catalogue 71-001 (Monthly).

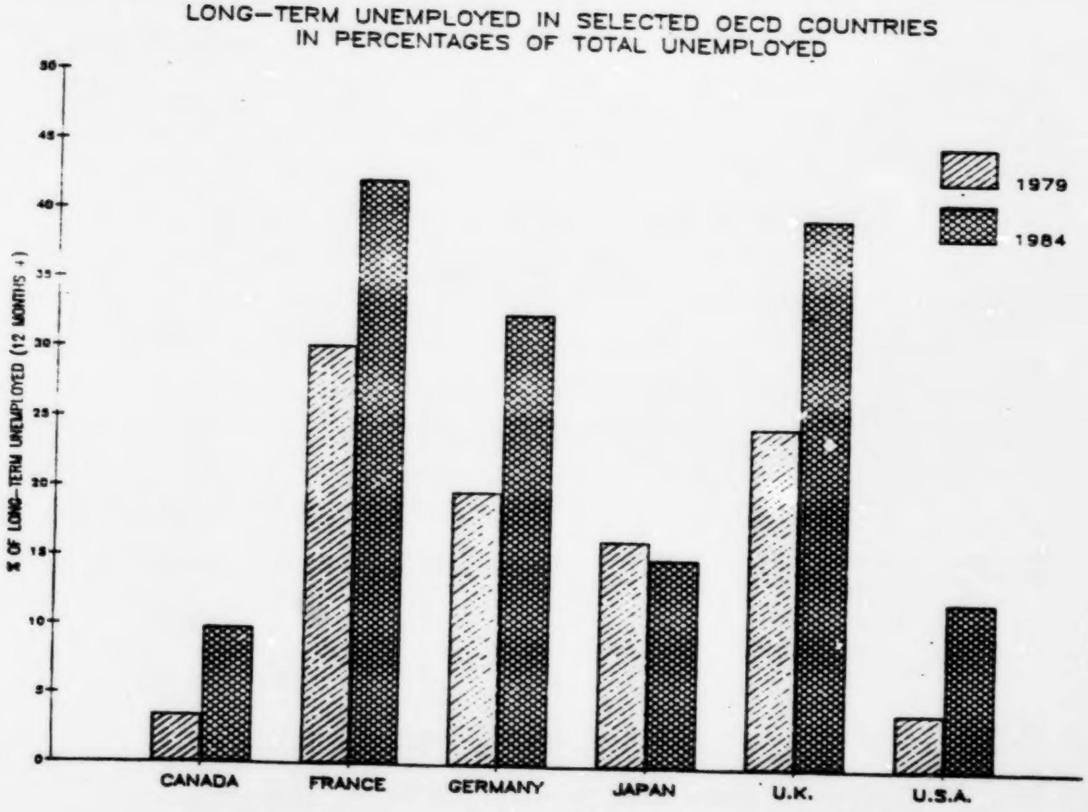
While in 1979 unemployment in excess of six months accounted for fifty per cent of total unemployment, in 1984, about two-thirds of all weeks of unemployment was accounted for by individuals unemployed for that length of time. It should be noted that the likelihood of long-duration unemployment increases with age for both men and women. However, it is proportionately more important among men for all age groups.

It is uncertain whether the decline in the long-term unemployment phenomenon registered in 1984 will continue, and at what rate. An EIC study by Alan Barrett of recent trends in long-term unemployment, has noted that a rise followed by a decline in the long-duration unemployment phenomenon generally accompanies cyclical swings in the economy. It points out, however, that the rise which occurred in connection with the

1981-82 recession was very dramatic and much more pronounced than in previous cycles. If this reflects the severity of the structural shifts occurring in the economy, it also suggests that the downward trend, if it continues, may occur relatively slowly. It should be noted, in addition, that the average duration of unemployment has been climbing steadily, from 13.9 weeks in 1976, to 15.1 weeks in 1981, to 22.0 weeks in 1984.

The recent rise in longer-term unemployment has been an international phenomenon, as is clearly shown in the chart below of comparative OECD data for 1979 and 1984 for major industrial countries. It can also be seen that Canada's proportions of 12 months and over levels are, with the United States, the lowest of the nations surveyed. According to the OECD, there is little likelihood of an improvement in the situation in the immediate future, except in the United States.

Chart 16



Source: OECD Employment Outlook, September 1985.

The OECD has noted that the longer people are unemployed, the more difficult it is to resume work. When jobs are in short supply, competition with new entrants increases as a result of negative attitudes on the part of potential employers towards long-term unemployed individuals and of the deterioration of skills and work motivation which occurs over the unemployment period. In addition, many of the long-term unemployed live in depressed regions or areas hard hit by structural change (e.g. single industry towns).

3. Distribution of Unemployment

Aggregate levels of unemployment mask the variations in unemployment rates of sub-groups within the labour force.

Table 18 below, calculated from Conference Board unemployment projections for 1985-1989 by age and sex, clearly illustrates the magnitude of the unemployment problem among youth, and especially among young males. For them the rate of unemployment is expected to continue to be over twice as high that of the adult male population, until the end of the decade.

Table 18

Unemployment Rate Projections by Age/Sex Groupings

Canada: 1985-1989

Sex/Age Category		1985	1986	1987	1988	1989
Males:	15-24	18.6	18.2	17.9	17.3	17.5
	25-54	8.8	8.0	7.4	7.0	7.1
	55 and over	7.2	6.5	5.9	5.3	4.8
	Total	10.7	9.9	9.4	8.9	8.8
Females:	15-24	15.2	13.9	13.2	12.6	12.3
	25-54	9.3	9.2	9.1	8.9	8.4
	55 and over	5.7	5.1	4.8	4.4	4.2
	Total	10.4	10.0	9.7	9.3	8.9
CANADA		10.6	10.0	9.5	9.1	8.9

Source: Conference Board MTFM Forecast, July 12, 1985, Control Solution.

One of the factors likely to have an important impact on youth unemployment over the medium term is the changing demographic composition of the Canadian population. As was discussed in the labour supply section of the paper, youth unemployment could stay high relative to other age groups in spite of the anticipated decline in the absolute numbers of this age cohort in the labour force. In an environment where job growth is expected to be sluggish by historical standards, this could result from increased competition from more experienced prime-aged workers whose numbers in the labour force will continue to rise significantly with the aging of the post-war baby boom generation. In light of demographic pressures, the possibility of increased unemployment among the 25-34 age group should also not be underestimated. However, other data discussed in this paper raise the possibility if not of a substantial proportionate reduction in the youth unemployment phenomenon, at least of its containment. These factors include: (i) the higher education and flexibility of young workers, whose skills could be an advantage in an increasingly technologically-based work environment (ii) the expected continued growth in the service sector (particularly of the fast food industry) which is a large employer of youth; and (iii) the expected continued growth of part-time employment, a form of labour force attachment which has become increasingly significant in the employment pattern of youth.

As is shown in Chart 13, unemployment among women over 25 has traditionally been higher than for men of that age group. However, the gap has closed significantly since 1981 as a result of the greater impact of the recession on men. The predictions of the Conference Board in Table 19 suggest that for the mid term, unemployment for women 25-54 will continue to be higher than for men and that the gap between their unemployment rate will re-open gradually between now and 1988.

In addition to unemployment, other labour market difficulties of women were discussed in the section on the supply of labour. Not least among them is the increasing trend of under employment among women who work part time. As well and as suggested by the Commission of Inquiry into Part-Time Work, part-time workers (a great majority of whom are women) are markedly concentrated within a few industries which offer a limited range of occupations in comparison to the range of occupations available to full-time workers. Given forecasts for job creation, the overall lower skill and education level of women and their vulnerability to technological change, it is unlikely that a significant reversal of their employment situation will occur during the planning period.

Unemployment among Natives is likely to continue to be particularly acute. Based on the 1981 Census figures, the unemployment rate of native women in rural and urban areas and of males in rural areas is approximately twice as high as for non-Natives; Native males in urban areas experience rates three times as high as their non-Native counterparts. Although these statistics are based on the 1981 Census, there are reasons to believe that the phenomenon will persist, if not worsen, over the medium term. The high rate of growth of the Native population, the expected influx of young Natives on the labour market as a result, and the fact that the traditional labour market problems of Natives are not likely to subside at a time of slow economic growth and rapid structural change, are factors which support this forecast.

Unemployment rates for visible minorities and disabled persons are relatively close to the average unemployment rate for the population as a whole. The unemployment problems they face, however, tend to be related to systemic discriminatory factors particular to their respective groups.

4. Different Perspectives on Unemployment

In reviewing the scope and nature of unemployment in Canada, it is important to note that the official unemployment rate (defined as that portion of the civilian non-institutional labour force 15 years of age and over that is unemployed and actively seeking work based on their activities in one reference week of each month) does not account for the phenomenon of 'hidden' unemployment in Canada. The term is difficult to define, and this is why Canada, together with most other countries, continues to use the more specific definition of unemployment given above.

One broader approach which has some degree of acceptance is to refer to individuals who have either given up actively looking for work (i.e., discouraged workers) and withdrawn from the labour force, and individuals working part-time who would prefer full-time work. Statistics Canada has undertaken studies of what the rate of unemployment would be should these groups be included in the calculation of unemployment for the period 1976-1983. The results from these studies show that for 1983, the average unemployment rate for the 'full-time labour force' (i.e., those full-time workers unemployed and seeking full-time work as well as those part-time workers working part-time but seeking full-time work) and the unemployment rate for discouraged workers (i.e., those persons not in the labour force who sought work in the past six months but who were not actively looking for work for labour market related reasons) were 1.4 percentage points (13.3%) and 2.0 percentage points (13.9%) higher, respectively, than the official unemployment rate of 11.9 per cent. Moreover, this relationship remained fairly constant over the period 1976-1983. If added together, these two measures would have translated into an average unemployment rate for 1983 of 15.3 per cent, or some 1.86 million individuals, compared to an official rate of 11.9 per cent or some 1.45 million individuals.

In addition to the phenomenon of 'hidden unemployment,' the results of recent analytical work within EIC suggest that aggregate unemployment rates mask a significant degree of polarization which exists in the labour force. Data indicate that a disproportionate share of the unemployment is concentrated in a small hard core group of unemployed workers.

Data for 1983 indicate that, the adult labour force aged 25 and over could be characterized by two groups: (i) a 'Stable' group with relatively few employment problems, and (ii) a 'Major Problems' group who were unemployed about half the time they spent in the labour force. In that year, 65 per cent experienced stable employment, while 35 per cent experienced serious employment problems.

The unemployment phenonmenon among youth is somewhat different. Results for the same year show little or no youth representation in the stable employment group. However 40 per cent of the youth population experienced major employment problems. The remaining 60 per cent of the youth population fell into a third group who experienced 'minor' employment problems (corresponding to an average unemployment rate of 7 per cent).

Comparative data between 1980 and 1983 suggest that there has been an accentuation of this polarization phenomenon in the labour force. Over the period, both age groups experienced a 20 per cent increase in their respective major problem groups. This means that some 20 per cent of the population who in the past had experienced few or no employment problems are now facing very serious problems.

5. Summary

- Unemployment is expected to average between 9.0 and 9.7 per cent until the end of the decade. Year-to-year projections suggest a gradual decline below 10 per cent by 1987;
- The high degree of uncertainty which exists in the economy suggests unemployment projections must be viewed with caution and within the broader context of the severe structural changes occurring in the economy;
- There was a rapid increase after 1981 in the phenomenon of long-duration unemployment. Although there are signs of a downward trend, this is expected to occur relatively slowly;
- Youth unemployment is expected to decline over the planning period but to remain, particularly among males, at a considerably higher level than for adults;
- Some increase in unemployment could occur in the 25-34 age group as a result of upward demographic pressures in a low job growth environment;
- Although unemployment among women age 25-54 is forecast to decline, it is likely to continue to be higher than that for men aged 25-54;

° The labour market situation of target groups, more generally, is not expected to improve significantly over the medium term;

° Aggregate unemployment rates mask the significant and increasing polarization which exists in the labour market between those who experience little unemployment and those who experience a great deal of unemployment.

D. The Informal Economy

Many observers world-wide suggest the informal economy has been growing in recent years. In their view, this is a grass-roots movement symptomatic of the important value changes occurring in our societies towards increased self-reliance to ensure that economic security, quality of social life and individual social-psychological needs are met. It is argued that these trends are being re-inforced in the context of slow growth, structural change, high unemployment and the changing nature of the work environment.

The informal economy is defiant of easy conceptualization and to shed some light on this, the Vanier Institute of the Family (VIF) developed, for the Macdonald Commission, a taxonomy of legal productive economic activities which it believes should be included within its ambit. These include (i) household production such as food preparation, childrearing and home renovation (ii) barter, skills exchange and gifts (iii) volunteer work (iv) some activities of community organizations and enterprises such as self-help groups, registered charities and community development corporations (v) some activities of small business, self-employed persons and cooperatives, and (vi) village economies, particularly in the North and rural Canada.

Other characteristics generally associated with the informal economy include:

- an emphasis on cooperative modes of behaviour;
- less reliance on capital and more on peoples' skills;
- less intensive use of non-renewable resources;

- the self-definition and self-management of work;
- the integration of economic and social goals;
- less reliance on money as a reward; and
- the small-scale, non-hierarchical nature of organizations.

Over the years, a number of Canadian researchers have been interested in the informal economy but, based on their estimates, it is difficult to establish with certainty its size and its trend line over time. This is due to the wide ranging methodologies used in developing estimates, to the way in which the activities to be included in the calculations are defined and, of course, to the fact that many of the activities wihin this sector are unrecorded. The table and comments below reflect these difficulties.

All these estimates exclude volunteer and household work and all except those of Statistics Canada include criminal activities. Based on the methodology used, there are reasons to believe that Mireille Ethier's and Statistics Canada's estimates are more credible than the others, although for comparative purposes their differing definitions should be kept in mind. While it is uncertain whether the phenomenon has been growing over time and whether a surge upward has occurred since the recession, it is clear that the informal economy is significant. Beyond the figures, the growing interest of late in the informal economy of such government departments as Revenue Canada and Statistics Canada is, in itself, very telling.

Table 19

Estimates of the Size of Canada's Informal Economy

	Year	Estimate
John Kettle	1975	16% of GNP
	1980	28%
	1984	51%
Mireille Ethier	1975	7.2%
	1977	8.4%
	1980	4.8%
	1981	5.9%
Rolf Mirus	1975	17.2%
	1977	10.0%
	1980	14.5%
Statistics Canada	1981	3.5-4.2%

Sources: Kettle, John, 'A Look at the Underground Economy,' FutureLetter, April 30, 1985; Ethier, Mireille, 'The Underground Economy: A Review of the Economic Literature and New Estimates for Canada,' in F. Vaillancourt, (ed.), Income Distribution and Economic Security in Canada, Vol. 1, research studies for the Royal Commission on the Economic Union and Development Prospects for Canada, Toronto, Univ. of Toronto Press, 1985; Mirus, Rolf, 'The Invisible Economy: Its Dimensions and Implications,' in Probing Leviathan, G. Lermer, (ed.), Vancouver, the Fraser Institute, 1984; Statistics Canada, Preliminary Estimates for the Unrecorded Economy in Canada, 1981, Jan. 1985 (Unpublished).

The following figures are to be noted as indicators of the scope and value of the activities in some of the categories retained by the VIF.

It is generally estimated that household production amounts to about 40 per cent of GNP. It seems reasonable to assume that in Canada, as has been estimated by the World Watch Institute for the U.S., self-help rehabilitation of homes now equals the value of rehabilitation work done by professionals. In the U.S., this is reversing a thirty-year trend. The World Watch Institute further states that home gardeners in the U.S. produce an estimated $16 B. worth of fruit and vegetables. David Ross and Peter Usher, who prepared the VIF brief, suggest that informal production could account for 10-30 per cent of the total output of several hundred thousand Canadian households.

The economic contribution of volunteer work is estimated to be $2.0 B. annually. Based on Statistics Canada figures for 1979-80, the last year for which data is available, about 2.7 million Canadians volunteered 374 million hours, equalling about 200,000 person years of work. It is interesting to note here that at the State level in the United States, a movement is emerging towards the computing of volunteer hours worked as credits to be used to access social services. Legislation has been passed in Florida and is in process in five other States. With respect to registered charities, it is estimated that their number has increased from 39,000 in 1980 to 50,000 in 1984. The number of employees of registered charities is estimated to be about 175,000 or 4.3 employees per charity. The self-help movement has been expanding significantly and diversifying to respond to new needs such as those of the unemployed. According to the President of Centraide Montréal, self-help groups have tripled in number in the last ten years.

The unrecorded activities of community organizations and enterprises are estimated to amount to $2.5 B. The value of the production that goes on in village economies cannot be determined with accuracy, but it is in their very essence to be based on mutual aid and self-sufficiency through networks of kinship, friendship, alliances or conventions other than purchasing power. It has been found, for example, that 80 per cent of rural houses in Newfoundland are owner-built. It has also been calculated that income from fur, fish and game provide about half of native income in the North.

There is little data on the bartering/skills exchange dimensions of the informal economy, but it is interesting to note that, to our knowledge, two highly successful systems have been organized in Toronto and Comox, B.C. The latter, referred to as the Local Exchange Trading System, was highly praised by Hazel Henderson, a leading proponent of the informal economy, at the 1985 World Future Society meeting.

As suggested by William Dyson, former executive director of the VIF, it can be inferred from the foregoing that a significant number of Canadians live with 'one foot in the informal economy and one foot in the formal economy.'

The potential of the informal economy for meeting social and economic goals simultaneously by capitalizing on the resources of individuals, employees and the community is well exemplified by the following Canadian model.

In 1976, New Dawn Enterprises of Cape Breton was established by volunteers as a non-profit community development corporation with an $80,000 grant from Health and Welfare Canada. Since then, it has undertaken a wide range of community projects, including:

- the provision and management of almost 200 new units of below market rental accommodation;
- the establishment of several new dental clinics;
- the operation of a Senior Citizen Resource Centre;
- a group home for the post-mentally ill;
- a used car parts business; and
- a subsidiary consulting company.

Today, close to 100 volunteers, supported by professional staff, determine how New Dawn's $7 million in assets will be managed.

Other Canadian examples of collective enterprises, among many others believed to be emerging, include:

- the Community Employment Strategy Association of Guysborough, Nova Scotia, which works to identify community needs and to provide capital for new, employment-creating small businesses;
- the Ottawa Women's Credit Union, which provides financial services and loans for women in the Ottawa-Hull area. Volunteers participate in a variety of activities;
- EMMA Jambrosia, a women's collective in West Kootenay, started four years ago with federal government help. This year, the profit for the ten-member collective, which makes fruit preserves, is expected to top $50,000.

The potential of the informal economy could be explored more fully than it has been hitherto as governments attempt to find new and inexpensive solutions for employment and revenue generation, and the provision of social benefits and services. It is interesting to note, for example, that research has shown that the most progressive private corporations tend to relate to their own local communities in a more positive way than traditional paternalism. In the U.S., business groups are actively involved in supporting small-scale enterprises and training schemes in inner cities. Firms such as IBM and Control Data Corporation have seconded managerial and technical staff to help new enterprises in areas of high unemployment and have helped train minority group young people for available jobs. In the U.K., Local Enterprise Trusts organized by local government, private business and trade unions assist the development of small businesses, by the provision of advice and counselling and the secondment of executives from large corporations with backgrounds in specialized areas such as accounting and marketing. The combination of advice and assistance from both the private sector and government at the local level has been shown to create a climate in which new enterprise and new jobs can thrive.

Summary

- While the size and trend of growth of the informal economy are not known with any precision, the phenomenon is significant and attracting growing interest;

- It is generally estimated that household production amounts to about 40 per cent of GNP;

- The economic contribution of volunteer work is estimated to be $2.0 billion annually while the unrecorded activities of community organizations and enterprises are estimated to amount to $2.5 billion annually;

- The informal economy offers possibilities to integrate social and economic goals simultaneously at the community level;

5. THE SOCIAL ENVIRONMENT

Many of the trends we have discussed so far in the paper are expected to have significant impacts on individuals and the structure of Canadian society. The most significant to note here are the increasing personal and societal costs of unemployment and the possibility of increased polarization. Changes in lifestyles are also occurring at the same time as the economy is changing in profound ways. Although it is difficult to establish the direction of the relationship between these two phenomena, it is suggested that trends in both areas are reinforcing one another and leading to further changes in the two spheres. These trends are examined below.

A. Social Cost of Unemployment

Since the recession, the unemployment rate has been at the double digit level and many observers suggest that this phenomenon will persist for some time, as we have seen in a previous section of the paper. This may be one of the most significant social developments of our times. Beyond increased direct expenditures for labour market planning policies, UI and welfare payments and forgone revenues, sustained high levels of unemployment raise important issues about the plight of the unemployed and more generally the welfare of society.

While an enormous amount of data has been gathered on economic and productivity indicators, documentation on such social indicators as the human and societal costs of unemployment remains fragmentary, sectoral and often anecdotal. However, it is important to refer to two major Canadian papers published in 1983, which have discussed the issue of the social cost of unemployment in order to raise consciousness. In its report, 'Ethical Reflections on the Economic Crisis,' the Canadian Conference of Catholic Bishops talked about the state of moral disorder which could accompany sustained high levels of unemployment. In 'Unemployment: Its Impact on Body and Soul,' the Canadian Mental Health Association (CMHA) stressed that unemployment must be seen as more than a problem of economics. Based on a review of a wide range of studies and accounts of social workers, among other practitioners, it concludes that unemployment is responsible in varying degrees for numerous physical and psychological ailments among the unemployed and related social problems such as family violence, marital discord or breakdown, drug abuse, suicide, crime, etc. The CMHA's appeal for a recognition of this reality in public policy seems to be finding increasing support from the health field.

The conclusions of the CMHA are generally supported by the conclusions of systematic research on the links between unemployment and social stress carried out over the years in the U.S. In their recent review of the American literature, 'Health and Social Costs of Unemployment,' R. Liem and P. Rayman concluded: '...there is good evidence that losing one's job can increase health risks, exacerbate chronic and latent disorders, alter usual patterns of health-seeking behaviour, and exact numerous other social and interpersonal costs.' Among the more commonly reported, non-economic forms of strain were: high blood pressure, alcoholism, marital separation, anxiety, and insomnia. A longitudinal study by Kasl and Cobb (1977) of workers who had their jobs terminated summarizes well the problem when they conclude that a lay-off should be considered a major life crisis.

It is often claimed that unemployment and crime are positively correlated. However, in his review of nineteen studies in the U.S., 'Economic Factors in Crime and Delinquency: A Critical Review of the Empirical Evidence,' R. W. Gillespie concludes that only a modest relationship could be established. For Canada, Harry MacKay of the Canadian Council on Social Development reports that in the 1970s the crime rate was levelling off as unemployment was skyrocketing.

On the basis of existing research, it is impossible to be definitive about the links between the social costs outlined and the dollar value of these costs. For example, the CMHA reports two estimates which would situate the total socio-economic cost of unemployment between $50 billion and $75 billion in 1982. Based on this last estimate, which is acknowledged to include some overlapping, the costs of unemployment-related stress indicators (suicides, homicides, heart disease, admissions to mental institutions, prison admissions and total mortality) would account for $7.4 billion, while lost education, training and depreciation of human capital would account for $2.7 billion. Other costs relate to lost production ($41 billion), lost earnings ($8.9 billion), UI benefit payments ($8.1 billion) and lost tax revenue to government ($7.4 billion). Whether costs are of this magnitude or not, and indeed whether some broader societal costs like reduced expectations and social fragmentation can be expressed in money terms at all, they are certainly substantial and the issues worthy of attention if unemployment is to be perceived as an integral feature of industrial societies for some time to come.

Considerable efforts are being deployed by EIC to address the question of unemployment through various adjustment and training-job creation programs. However, the success of these policies in making major inroads in reducing the unemployment levels is yet uncertain. In the meanwhile, there may be a role for EIC to play in alleviating the social cost of unemployment by encouraging the development of support mechanisms for the unemployed, either through unions or through the public, private or voluntary health network or by assuming itself a new role in bringing together the jobless for both support and self-help.

B. Polarization in Society

In this section, we will discuss the potential for polarization in our society which results from the following factors: poverty, marginalization in the labour market and shifting wage and skills distribution. It is clear that there are overlaps between each of these factors but it is thought useful to present them separately as they raise in and by themselves different policy issues.

1. Poverty

The statistics on poverty in Canada are a good indicator of the extent of this phenomenon. Between 1969 and 1981, there was a decline in the overall rate of poverty, but this trend has been reversed since. In its most recent calculations, the National Council of Welfare estimates that approximately 4,350,000 Canadians lived in poverty in 1984, an increase of close to 900,000 since 1981.

Poverty has been considerably higher over time among unattached individuals compared to families. However, since 1981, it is the rate of increase in poverty among the latter which is to note: it has increased steadily from 12 per cent then to 15 per cent in 1984. In 1984, the poverty rate for unattached individuals was 38.4 per cent.

The Council's figures highlight the particularly distressing situation of female-headed families. In 1984, 42.9 per cent of female-headed families lived below the poverty line, while this was so for only 11.3 per cent of male-headed families. Long term trends confirm the view that there has been a feminization of poverty: in 1969, families headed by women were two and a half times more likely to be poor than families led by men; by 1984, this ratio was established at three and three-quarters. It should be noted that between 1981 and 1984, the proportion of male-headed families in poverty has increased from 8.9 per cent to 11.3 per cent, while that for women declined in 1984 after an important rise in 1982 (45%) compared to 1981 (38.1%).

Young people in Canada also face a distressing situation. From 1969 to 1982 (the latest year for which data is available), the number of poor families led by someone under 25 increased by 43 per cent, while the number of families whose head was over 25 decreased significantly. Similarly, four in ten unattached persons under 25 number among Canada's poor.

The lower the educational attainment of its head, the greater the risk a family faces of falling below the poverty line. The most recent data (1983) show that nearly 20 per cent of families whose heads have only elementary school education are poor. Unattached individuals with only elementary education face a very high risk of poverty - 67.0 per cent were poor in 1983.

Unemployment also increases the likelihood of poverty. Not surprisingly, families whose heads were out of work at some point in 1983 were twice as likely to be poor as those in which no member was unemployed. The problem is even more serious for single Canadians. In 1983, the poverty rate was a very high 77.5 per cent for unattached individuals who worked only one to nine weeks compared to 11.4 per cent for those who worked 49-52 weeks.

Most recent data (1981) show that the poverty rate for families with foreign-born heads is slightly lower than that for families with Canadian-born heads. However, the poverty rate for single immigrants is significantly higher than the poverty rate for single Canadians, 42.2 per cent and 36.9 per cent respectively. Particularly troublesome is the poverty rate for single immigrants who came to Canada before 1946: 61.4 per cent of this group are poor compared to 33.6 per cent for those who came after 1960.

In short, the overall rate of poverty has been increasing since the recession underscoring the very difficult predicament of particular groups. It can be expected that these problems will be exacerbated in a context of low economic growth, and that there will be increasing pressures on labour market and social policies to attempt to reverse the deteriorating situation of these and other groups.

2. Marginalization in the Labour Market

One of the most disturbing recent trends observed not only in Canada but in virtually all the industrialized countries, is the polarization of the labour force into those with work and those without work. As was shown in the section on unemployment, an increasing number of individuals and an increasing proportion of the labour force are unemployed for six months or more. Also, based on EIC/Planning Branch analytical work, it was shown how the proportion of individuals who experience severe unemployment, as defined by the fact that they are unemployed 50 per cent of the time, is increasing. This group represented one-third of the labour force in 1983. Unemployment is rarely experienced or experienced only occasionally by the remaining two-thirds of the workforce.

In the section dealing with the supply of labour and unemployment, we also discussed the marginalization of various social and cultural groups in Canadian society which results from systemic discriminatory barriers to employment. Depending on the group examined, one or all of the following characteristics can be observed: low participation in the labour force, high unemployment and/or over-representation in low-skilled, low-paying jobs.

If unemployment remains a permanent feature of our society, and if progress is not made to ensure greater equality of access to the labour market for target groups, the long-run societal consequences could be important. The increased marginalization of some groups could lead to the erosion of the sense of fairness and justice which exist and, as Judge R. Abella suggests, must exist in our society. In turn, this could generate insecurity and potentially increase social tensions.

It is important to make special note in this context about the increasing fragmentation which seems to be emerging along ethnic/racial lines. In its recent report, the Special Committee on Visible Minorities indicates that it is estimated that 15 per cent of the Canadian population holds clear racist attitudes and that a further 20-25 per cent have racist tendencies. In their studies of employment discrimination in Toronto, the Urban Alliance on Race Relations and the Social Planning Council also concluded 'that there is very substantial discrimination affecting the ability of members of racial minority groups to find employment.' They found that when job applicants with similar qualifications and similar characteristics, except racial background, answered job ads in person, whites were three times more likely to get the job than coloured people. The most significant amount of discrimination was directed at Indo-Pakistanis who were told that jobs were closed or no longer available in nearly 44 per cent of the 438 jobs tested.

In the section on the supply of labour, it was indicated that visible minorities have a higher participation rate than the average. However, it is recognized that for some groups and some individuals, integration into the labour market may be more difficult than for whites, and that promotional potential for some may be hampered by discriminatory attitudes. Beyond integration into the labour market, the report on Visible Minorities stresses the lack of integration in other aspects of social life, and concludes that Canadian society is, in reality, a 'vertical mosaic' with some pieces raised above the others. The observed tendency of members of Visible Minorities to concentrate in some geographical locations is often thought to exacerbate this situation.

3. Shifting Wage and Skills Distribution

For the future, warnings about the possible polarizing effects of the introduction of high technology in the manufacturing and service sectors have come from a variety of sources. For example, in 1982, the Labour Canada Task Force on Micro-electronics and Employment expressed concern that 'the unguided introduction' of the new technology will divide workers into highly skilled and unskilled workers.

A study by Bluestone and Harrison of the decline of the textile industry and the growth of the high tech industry in New England (published in 'The De-Industrialisation of America', 1982) illustrates how the combination of the market trends outlined in previous sections may tend to erode the normal curve pattern of wage/skill distribution typical of the manufacturing-based economy. The new curve, with a depressed middle, is emerging as a result of the elimination or downgrading of the manufacturing jobs which traditionally fell in the middle and the creation of a high volume of jobs at the lower end of the wage/skill scale in the service sector. Bluestone and Harrison noted that workers who lose their jobs through plant closings or automation tend to be downwardly mobile. For example, they observed that two and six years after having lost their jobs, 43.4 per cent and 15.8 per cent of auto workers earned less than their colleagues who remained in jobs in that industry. A similar 'sliding phenomenon' was observed for workers in other manufacturing sectors.

Recent research by the Brookings Institute on the problems of labour adjustment to structural change found that post training re-employment often entailed considerable wage-loss. This was found to be due to the fact that re-training was not generally successful as an adjustment measure unless trainees already had some education/experience in the field, or the training was related in a technical sense to their previous occupations.

The new 'bi-modal' curve with peaks at the extremes of the wage/skill distribution would tend to assume its most extreme pattern in the fast growing industries, particularly the micro electronic industry. Within these, Bluestone and Harrison even foresee the disappearance of the low wages/low skills end of the curve within the next ten years.

Bob Kuttner, in an article entitled 'The Declining Middle' and in his book, 'The Economic Illusion,' also talks about the polarization phenomenon. He suggests that this trend resulting primarily from the change in the industrial structure, has been compounded by other trends which have tended to drive wages down since the 60's. These include increasing participation of women and youth in the labour market, high unemployment and the decline in the power of trade unions and of the expenditures of the public sector. These trends overall are likely to continue into the planning period. The demographic shift towards an aging working population may place further downward pressures on wages in the context of increased competition for scarce good jobs.

The 'declining middle' theory has not gone uncontested. An analysis of the distribution of earnings and employment by an official in the U.S. Bureau of Labour Statistics shows, for example, that between 1973 and 1982, the proportion of total employment increased in the higher and middle income occupational groups but decreased in the lower income groups. James Fallows, an editor of the Atlantic Monthly, recently argued that the middle-class did not shrink but that a change in statistical practices in 1979 appeared to show a 10 per cent 'drop' in the number of middle-income households. (Fallows also quotes Barry Bluestone as conceding, 'There may not be much evidence of a 'bimodal distribution' of income yet'). A study by a Harvard economist and a retired Xerox executive, financed by the computer industry, found no support for the declining middle thesis. The study argues that, in the computer industry itself, 70% of the workers are concentrated around the middle range.

Comprehensive data are not available to document whether polarization along wage and skill lines is occurring in Canada at this time as a result of the transformation in the economy. However, two factors may militate against the emergence of significant polarization. First, relative to the U.S. unions, Canadian labour unions remain strong and, in fact, have shown some growth. Secondly, the Canadian state has generally not gone through the kind of dramatic retrenchment that the American state has gone through. Thus, these two institutions, which Kuttner himself describes as 'the two most powerful agents of equal wage distribution,' could act as important guarantees to the maintenance of the middle class.

Should polarization along skill and wage lines occur, however, this could have significant economic and social consequences. A significant shrinkage in the number of middle-income jobs would tend to stifle social mobility and force more workers into the low-income category, unable to care adequately for themselves and their families. For governments, this would translate into higher welfare payments and reduced tax receipts; for the individuals involved, it could lead to heightened frustration, more intense job dissatisfaction, and greater susceptibility to such social problems as alcoholism and family violence. This could also lead to increased social tensions as groups that have been traditionally advantaged would find fewer and fewer doors open to them. This destabilizing effect could result in greater militancy and an atmosphere not conducive to creative social compromise.

C. Lifestyles

As traditional assumptions about growth are being challenged by shifts occurring in the market economy, as the process of structural change is bringing about changes in the nature of work and in the nature of the worklife itself, so are assumptions about how well-being is to be pursued.

There are clear indications that important changes are occurring in lifestyles and values, reflecting evolving perceptions about the quality of life and the need to become more self-reliant, as it is realized that the ability of governments and other institutions to resolve problems quickly is hindered by resources and institutional rigidities.

The family has changed considerably over the last decade as a cause and consequence of changing women's aspirations and in the context of worsening economic conditions. The most significant trends have included: declining rates of household formation as a result of an increasing trend towards postponement of marriage and child rearing, increasing proportions of husband/wife families without children, declining birth rates and an increase in the two-earner families. With increased rates of separation and divorce, the proportion of families headed by a single person has increased dramatically at the same time as blended, mended and extended and cohabitating family living arrangements have spread. As well, a fast increasing proportion of individuals is deciding to live alone.

The most significant impact of these combined changes has been to exert an upward pressure on the rate of labour force participation of women, and particularly of young women. And, as we have seen earlier, the rate of participation of women is expected to continue to increase at a much faster rate than that of other groups in the future. Changes in the structure of the family are leading to increased pressures for housing and for services from day care, to fast food, to household assistance, to name a few, and are expected to continue to have a marked effect on the nature of our economy and to transform our institutions. As well, they are bringing about the recognition of the need to establish new mechanisms in support of the requirement to combine and share economic and child rearing responsibilities, such as paid childcare leave and flexibility in worktime arrangements. It is unclear at this time whether the changes in the family structure will have an accelerating or an inhibiting effect on the mobility of the workforce. Notwithstanding the social costs associated with unemployment, the decline in the number of dependents and the increase in two-earner families may have the effect of cushioning its impact. With respect to the two-earner family phenomenon, for example, a trend involving partners alternating on UI seems to be appearing.

A Canadian Trend Report prepared for EIC in 1984 based on an extensive study of events and ideas covered in local Canadian newspapers, supports the discussion above on changing family patterns. It further suggests that significant shifts are occurring in perceptions about the quality of life, in consumer behaviour and in perceptions about the future of youth. The discussion of these, below, draws largely on their observations.

The insecurity among the middle class which was brought about as a result of the recession has, according to the Canadian Trend Report, led to a downward revision of expectations and aspirations which have not shown signs of a reversal since the recovery. This revision of aspirations has translated itself in a shift away from 'consumer' to 'pro-sumer' strategies, as exemplified by such behaviours as: more selective and careful investments and spending on replacement goods, avoidance of debt and rescheduling, spending on durable quality products, restraint in the purchase of basic goods and services, particularly of food, and overall better budgeting and control of household expenses. In addition, the Canadian Trend Report suggests that middle class Canadians have become more fully involved in the informal economy, such as in bartering and skills swapping, and one could add in household production, such as home gardening and self-rehabilitation of homes. These changes are significant to note for their potentially important effects on the demand for goods and services from the formal economy.

With respect to perceptions about the quality of life, there are signs of increasing interest in 'expanding personal creativity, cultivating religious affiliations, engaging in life-long learning, (espousing mid-career changes), and in contributing to international causes to improve human justice, relieve hunger, or reduce the risk of environmental pollution or nuclear war, for example.' There is also evidence of growing concern for the social implications of economic policy which seems to be rooted in the vision of an equilibrium society where job-creating/economic-growth policy objectives should not supercede concerns for environmental and occupational health considerations, fairness (i.e., equal pay for work of equal value) or the right of access to employment through training, or employment equity measures, to name a few.

It is also important to note with the Canadian Trend Report the increasing concern of Canadians for the future of youth, whom they perceive to be the most vulnerable to the changing economic situation and family structure. As the Report notes, there is increasing worry about a 'lost generation.'

In terms of economic factors, it is feared that the prospects of poor employment may have a demotivating effect in respect of education, training and participation in the labour market and lead to a general sense of alienation from society. It is feared that the new micro-electronic technology will further contribute to this phenomenon given that it places a premium on interacting with machines instead of with individuals, and conveys fantasy worlds in sharp contrast with reality. It is also often feared that the new technology may lead to a narrowing of interests in individuals as well as alter patterns of thoughts and approaches to problem solving, the consequences of which are yet unknown. The combination of changes in the economy and the family is also raising concerns about the possibility of an overall increase in the levels of stress individuals may experience.

Results of public opinion surveys on attitude towards work over the last ten years suggest that an increasing proportion of workers are dissatisfied with their jobs, which are not seen as providing interesting challenges or lending sufficient power. There are also indications that changing attitudes towards work are resulting in a greater unwillingness to accept any job. Frequently cited as evidence of the erosion of the work ethic, such behaviour can also be seen as an unwillingness to subordinate other important values to paid work. Thus, as the ILO's David Freedman observes, '...persons who refuse boring, repetitive work that gives them no sense of fulfillment are no more turning against work than were earlier generations who sought to improve working conditions through their struggle for minimum wage and safety standards.' Indeed, Princeton philosopher Michael Walzer considers it a 'sign of success' that citizens 'are unwilling to take on certain sorts of jobs.' In an environment where the job market may be polarizing into interesting and uninteresting routine jobs, where technology may lead to greater and greater involvement of people with machines than with co-workers, and to a decrease in the control workers have over their jobs, these trends may intensify. They could lead to increased pressures for more flexibility in working time so that more time is spent in activities of one's choosing; and to pressures on management to improve conditions of work, to provide for the emotional and psychological well being of employees and to pressures for more involvement of employees in the decision-making process. Experience has shown that dissatisfaction at work has important psychological impact on the workers and on productivity. Some nations, like Japan and several West European governments, have placed a high priority on improving life at work.

D. Summary

Cost of Unemployment

- There would seem to be reasonable evidence that losing one's job increases health-related disorders and exacts other social (i.e., suicide, homicide, incarceration in mental or correctional institutions, etc.) and interpersonal (i.e., marital breakdown, family violence, etc.) costs;

- Unemployment entails societal losses in terms of education, training and depreciation of human capital, reduced expectations and social fragmentation;

- Unemployment carries economic costs in terms of lost production and revenues and increased direct expenditures;

Polarization in Society

- Considerable polarization exists in Canadian society along income lines, which often results from the interrelated issues of unemployment and inequalities in the labour market;

- There is increasing polarization between those with and without jobs, as unemployment is experienced most severely by about one-third of the labour force who is unemployed for half the time;

- Systemic inequality of access to the labour market exists for a number of particular groups, with resulting high unemployment and/or concentration in lower-skilled/lower-paid jobs;

- There is increasing concern about polarization along ethnic/racial lines;

- Some argue there is increasing polarization in society along wage and skill lines as a result of the transformation in the economy, but it is uncertain whether this is occurring in Canada.

Lifestyles

- Significant changes are taking place in the family structure; this is placing upward pressure on the rate of labour force participation of women, leading to increased demands for housing and household related services (including daycare) and for more flexible working arrangements;

- Changes in the family structure may impact on mobility patterns;

- A downward revision of expectations and aspirations appears to be leading to more conserving consumption patterns among the middle class, and to increasing uses of the potentials of the informal economy;

- There are signs of increasing interest for the pursuit of quality of life objectives and concern for a better integration of social and economic goals;

- Youth are widely perceived to be the most vulnerable to the changing economic situation and family structure, with fears emerging that today's youth may be a 'lost generation;'

- In particular, there are growing fears that the prospect of poor employment may have a generalized demotivating effect and lead to a sense of alienation from society;

- There are indications that attitudes towards work are changing and may result in a greater unwillingness to accept just any job.

PART III: PERSPECTIVES OF SOCIAL AND ECONOMIC PARTNERS

I. INTRODUCTION

A great number of substantive and procedural issues are on the country's agenda for the mid-term, in light of the economic problems we have discussed, as well as the technological and social changes taking place. They will require a fundamental re-examination of fiscal, economic and social policies to foster growth and structural adjustment, reduce unemployment and to continue to ensure the fair distribution of the benefits of growth in an altered fiscal and economic context. As well, issues of employment equity, job security and alternate job opportunities, and of the changing nature of work itself will be paramount. Many observers suggest that this is a crucial time of transition to a better and richer society, not only in economic terms but in terms of the responsiveness of institutions to changing social expectations.

The principle that our country's economic and social development depends on the sense of teamwork that will motivate - or fail to motivate - our national institutions was recognized by the government early in its mandate in its November 1984 Speech From The Throne. It has been embraced in all segments of society. Unless the major economic and social players have the capacity to come to a consensus on fundamental goals and directions, it is felt that growth will proceed in an unbalanced, sporadic, unequal fashion. For this to occur, it is also recognized that the decision-making apparatus must include structures that facilitate authentic dialogue, cooperation and joint decision-making on certain issues among governments, employer groups, labour unions and the voluntary sector, as well as increased responsiveness to the needs of individuals.

Since the beginning of the government's mandate, the partnership theme has been reiterated in all main public documents and acted on in connection with every major issue placed on the public agenda. Consultation at the federal level has taken many forms, from First Ministers' Conference on the economy, to the economic summit with the economic and social partners, to national consultations on specific discussion papers, the bringing together of various interest groups in Commissions and Parliamentary Task forces, to bilateral consultations and negotiations in respect of unique regional concerns. Consultation is also an integral part of the work of the federal government at all levels of the bureaucracy from the ministerial to the program delivery level, involving provincial governments, and other partners to varying degrees.

This thrust towards a new style of governing is likely to continue over the medium term. Beyond the recognized need to be apprised of the views of the partners, this signals the emergence of a new process of public policy which recognizes the limits to the scope of the federal government's actions and stresses that the need to share responsibilities must be acknowledged in bringing about a successful transition to economic renewal and a new society.

As worthy as the partnership theme may be, it is unclear how it will work in practice, both in terms of process and substance, in the mid-term. The purpose of this section is to provide a preliminary assessment of the views and expectations of government and of its social and economic partners on major issues of substance and process facing public policy so as to provide a basis for the identification of some of the opportunities and challenges which lie ahead.

2. THE FEDERAL GOVERNMENT

The views and expectations of the Federal government are expressed in sanctioned and proposed public policies. At any particular point in time in a democratic society, these reflect the balance struck by government between the competing expectations of various groups in society for the course to be given to societal development. But, in a complex and diversified society, the issue of reconciling widely divergent interests is a very difficult task and established courses of action will inevitably, and depending on the issue, favour or be seen to favour the interests of some of the partners to the detriment of those of the others. In this context, government appears as a partner in its own right, reflecting one stand which continually comes under the scrutiny of the other partners in society. To identify issues for the mid-term from the perspective of partnership, it is, therefore, important to start by a presentation of the government's perspectives as reflected in its economic and social agenda. These provide the reference point against which the expectations of the other partners are articulated.

A. Economic Agenda: Fostering Growth

In a context of high government deficits, increasing foreign competition in export markets, lack of business confidence and high levels of unemployment, encouraging growth has been identified in the government's agenda as the overriding policy concern for the mid-term. As is clearly indicated in a number of official policy documents, such as: 'A New Direction for Canada: An Agenda for Economic Renewal,' the 'Economic and Fiscal Statement' of November 1984 and the Green Paper on Foreign Affairs, 'Competitiveness and Security' (the title of which is very telling), this policy thrust is expected to provide the basis for the attainment of social and foreign policy goals and vice-versa.

To stimulate growth, three main issues are expected to continue to predominate over the mid-term as the government's already announced policy thrusts are implemented. These are (i) the promotion of employment creation through the private sector and adjustment (ii) the removal of obstacles to growth, and (iii) the enhancement of trade.

The government's thrust for the promotion of employment creation and adjustment rests on the conviction that a revitalized, competitive private sector is the driving force behind the creation of new enterprises and lasting employment. Already, a number of significant measures have been adopted in the Budget of May 1985 to stimulate new business creation, investment and risk-taking, and to reduce government over-regulation of industry. There are also indications based on the recommendations of the Nielsen's Program Review to remove counter-productive subsidies to business. As well, the government has indicated its intention to sell commercially viable crown corporations without a public policy purpose and to dissolve those lacking in both commercial value and public policy purpose. In this context, the thrust seems to be to reduce interventions in the market place which support the status quo, hinders change and stifles competition, while encouraging the establishment and maintenance of viable firms.

In the context of increasing sensitivity to balance of trade relationships and rising protectionist sentiments in many quarters, especially the United States, the government has stressed the importance of improving the country's competitive position in the world, and in particular the need to improve productivity. Important measures in support of R&D expenses in connection with the introduction of new technologies, among others, have already been announced. It is expected that in the process of developing world class products, utilizing the highest standard technologies and materials available, significant adjustments will be necessary on the part of firms, both in terms of changeover to new production processes and managerial practices. These will also have important impacts on the labour force, in terms of new requirements for skills upgrading and re-training as displacements occur as a result of the disappearance of jobs, and in terms of stabilization of hiring.

It is in recognition of the importance of education and training in enhancing productivity, and in recognition of the important adjustment problems which lie ahead if a successful transition to higher levels of growth and productivity is to occur, that the Canadian Jobs Strategy has been developed. It is expected to provide a complementary and supportive mechanism to measures aimed at rekindling the entrepreneurial spirit by supporting human resources development in keeping with the needs of private sector employers, especially the small business sector. By increasing flexibility in the labour market, the Canadian Jobs Strategy is thus expected to contribute to the removal of significant obstacles to growth.

It is the government's belief that, if not checked, the deficit would stand as a serious obstacle to growth in the mid-term by limiting its flexibility in meeting priority economic and social goals and by leading, through rises in the interest and inflation rates, to reduced business confidence, and hence reduced investments.

To meet the challenge of reducing the deficit, the government has proposed or already introduced measures to increase revenues through changes to the personal and income tax systems and to reduce expenditures. While both economic and social programs are affected, the proposals signal important changes in the thrust of social policy for the mid-term, and we will discuss them further below.

The other plank of the government's strategy to reduce the deficit is to increase the efficiency and effectiveness of programs government-wide. The recommendations of the Nielsen Task Force in this regard will have far reaching implications for years to come. A decrease in the size of the public service by 15,000 in the next six years, coupled with constrained financial resources, and a fundamental re-thinking of the basic tenets of programs, organizational and service delivery mechanisms will test the ingenuity of management. In such an environment of change, the issue of human resource management will be in the forefront both from the perspective of mobilizing staff in support of change and training them to function efficiently and effectively in an altered environment. Also, it can be expected that increasing attention will be paid to planning, accountability and control processes.

Trade issues will figure prominently on the economic policy agenda for the mid-term as a result of the current examination of policy options for eliminating barriers to trade with the U.S., our largest trading partner, and to enhance the country's access to international trade markets, more generally through the next round of GATT negotiations due to start in 1986. Should there be success in reducing protectionism in the international economy, accelerated growth could occur at the same time as the country's profile of winners and losers could change significantly and labour adjustment problems increase, as we noted in the section of this paper on the Labour Market.

The government is at the beginning of a new mandate and many policies and processes have been put in place with a view to altering the prospects for growth in the mid-term. Only time will tell whether the assumptions upon which they are based proved to be adequate and workable.

The environment will be a difficult one: our domestic economy is increasingly linked to the global economy, and the task of maintaining a fragile equilibrium between the various components of public policy is increasingly difficult due to the complexity of the problems, of their implications across policy areas, and the competing interests of the social and economic actors.

B. Social Policy

The interdependence of social justice and economic goals is clearly recognized in the government's agenda. The Speech From The Throne stressed that, unless equity and fairness in the sharing of the benefits of growth are guaranteed, it will be extremely difficult to develop a rational consensus for pursuing a strategy for economic renewal. However, in the current situation, wherein scarce resources are being subjected to mounting demands, it is also recognized that social justice goals must be pursued in a fiscally-responsible manner. In this way, a balance between social responsibility and economic growth will be struck and the truly needy will receive the help to which they have a right.

Towards this end, the Government is restructuring social programs to ensure the achievement of its twin objectives. In addition, to placing a heavier burden through the income tax system on better-off individuals, proposals have also been made to realize savings by altering the system of income distribution through changes in the progressivity of family benefit entitlements, modifications to the indexation of social benefits and to the eligibility criteria for UI in respect of pensions and severance pay. These underscore a new orientation on the necessity to focus priority on those most in need, and to place increased stress on self-reliance. With the same objective, proposals have been discussed to reduce the rate of growth of transfer payments to the provinces. At the same time, and based on the assumption that the best form of security is brought about by self-reliance through a job, important expenditures have been allocated to provide better opportunities for employment and income growth through the Canadian Jobs Strategy. As a complementary effort, a public Committee will undertake a comprehensive review of the Unemployment

Insurance program to examine ways of removing disincentives to job search and job maintenance, as well as examine the program from the perspective of its distributive function. Many measures have been introduced to foster a greater sense of security in Canadians while at the same time lessening dependence on government provided schemes. Chief among these are the extensive changes to the private pension system announced in the Budget to take effect in 1987, to increase portability and enhance support in private pension schemes through RRSP's, as well as improve pensions for women and part-time workers.

As the government is confronted with the combined need to control costs, introduce flexibility, satisfy never-sated expectations and reduce the sense of dependency on the State, there seems to be emerging new concepts of societal responsibilities vis-à-vis income distribution. In the project of bringing about economic renewal, we may witness a change in the role of the welfare state from that of a 'providing' state to that of an 'enabling' state.

These proposals for changes to social policy to date have been the object of much public debate and suggestions to increase the burden on individuals through tax changes or the restructuring of the social benefit system, have been met with considerable resistance. This suggests the persistence of strong feelings of insecurity in society as a result of the recession and the deep-seated importance attached to the safety net system cushioning the impacts of a difficult economic situation. It is likely that the government will remain under strong pressure to justify its assumptions about the nature and interrelationship of economic and social policies as will become evident when we discuss the perspectives of labour, individuals and voluntary sector interest groups below.

The government continues to be committed to the goal that social policy should continue to be a crucial vehicle in our society to ensure that mechanisms are available to enhance opportunities for the disadvantaged and remove barriers to their participation in society. On April 17, 1985, Section 15 of the Canadian Charter of Rights and Freedoms came into force making legal equality a basic constitutional right. This reflects the profound changes in attitudes and expectations in society which have occurred and is expected to lead to increased demands on government for the satisfaction of 'rights.' This thrust will require substantial effort to bring legislation and regulations in line from the perspective of their direct and systemic discriminatory effects, a commitment to bear the costs relating to this and to the implementation of changes to remove inequalities, and the undertaking of the difficult task of reconciling widely divergent interests within and across policy areas. The Charter of Rights, and the greater sense of commitment to the notion of equality which it is likely to foster, is expected to have a particularly important effect on employment policies. This suggests that significant advancements will depend on the extent to which government demonstrates its own commitment as an employer to remove inequities, assumes a strong leadership role through its labour market policies, and on its ability to instill a sense of commitment on the part of the private sector. To date, the government has introduced employment equity measures within the public service as well as some which apply to some companies with whom the federal government has large contracts. Legislation has also been introduced pertaining to Crown Corporations and federally-regulated businesses with 100 or more employees. Ensuring equitable participation of women, Native people, persons with disabilities and visible minority groups also figures as an integral part of the new Canadian Jobs Strategy.

Already, however, there have been criticisms on the part of some interest groups that government action on the equity issue has been too slow and too timid to ensure compliance. As well, it is felt that, to the extent that it can, the private sector will resist equity measures on the ground of economic efficiency. Given the government's own focus on stimulating growth through the private sector and its own concern with constraining public expenditures, it is uncertain whether it will itself be able to resist pressures for retrenchment. Should there be retrenchment, the government's success in forming public consensus on matters of social policy may be hampered.

C. Partnership

The broad terms of the relationship of the Federal government with the provinces and business have been articulated relatively clearly to date. With the provinces, issues will remain the need to harmonize policies of the two orders of government and to end unnecessary and costly duplication, while respecting jurisdictions. This is to ensure that coordination of action leads to the removal of obstacles to private sector initiatives and to the enhancement of unique regional strengths.

With respect to business, there is expected to continue to be a thrust on positive measures to enable business to grow, at the same time as government retrenches from interventions into the market place. In addition, however, it is expected that government will continue to press business to assume increased social responsibilities, such as for training, human resource development, for bringing about change in a humane and caring way, and for participating in the achievement of equity goals.

The pursuit of the goal of increased sharing of responsibility for managing Canada's business is being accompanied by a marked shift towards decentralization of the policy-making process. This is involving a greater role for regional and local levels of government and partners at the community level, and greater decision-making powers at the regional and local authority levels within the federal bureaucracy. The concept of the Local Advisory Councils incorporated in the Canadian Jobs Strategy is a good example of a trend in those directions. It is expected that much effort will be required over the medium term to set in place smooth working structures but more importantly, to develop new mechanisms for ensuring that the work of the decentralized structures are fed back into the decision-making process required to ensure the achievement of national goals. As well, shared responsibility and increased decentralization will require a change in the concept and practice of government. The federal government role may shift increasingly to that of a guide, catalyst and mediator, as well as guardian of national standards and public integrity.

3. THE PROVINCES

The most up-to-date statements about the provinces' positions on key economic and social public policy issues are to be found in the Communique released at the close of the Premiers' Annual Conference held in August 1985.

At their conference, the provinces expressed explicit support for the partnership thrust of the federal government. Through their expression of satisfaction about the Regina First Ministers' Conference, they clearly indicated support for an open, free, constructive and positive discussion, in support of the development of a spirit of cooperation. It is the view of the provinces that a new and positive federal-provincial approach to economic development is required to permit the provinces and regions to build on their strengths and to maximize their contribution to the prosperity and well being of all Canadians. According to the provinces, priority should be given to jobs and the economy and attention paid not only to sectoral development, but, as well, to human resources development, the impact of new technology and the role of transportation in regional and national economic development.

In a context where the question of achieving national goals is inextricably linked to achieving regional goals, the provinces are intent on ensuring that the nine principles to govern regional economic development agreed to at the Regina First Ministers' Conference in February, are strictly adhered to. These principles are as follows:

- The federal and provincial governments view regional economic development as a high priority among national and provincial economic goals.
- The overall objective of regional development is to improve employment and income through sustainable economic activity based on realistic opportunities in each region.
- Initiatives should be developed through consultation and discussion to assist Canadians in the less developed regions to achieve greater economic security based on economic opportunity.
- Closer federal-provincial cooperation should be achieved by harmonizing all regional economic development efforts.

- All major national policies should be judged, in part, in terms of their regional impact. And, so far as is possible, those policies should reinforce the goal of fair and balanced regional development.
- Particular emphasis by governments should be given to improving the investment climate, to removing impediments to growth, and creating opportunities for the private sector to contribute to maximum economic growth in all parts of Canada.
- Continuing consultation with the private sector should focus on policies in areas such as innovation, exports, marketing, productivity and training with the overall purpose of developing concerted strategies for growth and adjustment.
- Governments should explore opportunities for increasing interregional trade and eliminating barriers between provinces.
- Transportation is recognized as a key to regional economic development

Against this background, four issues are high on the agenda: they are, job development and training, fiscal transfers, monetary policy and tax reform in the context of fostering growth and trade.

A. Job Development and Training

The provinces believe strongly that Canada's economic performance and competitiveness are largely dependant on a well trained and highly skilled labour force. They stress the need for genuine consultation between the levels of government which (i) recognizes that federal programs must accommodate regional needs (ii) takes into account already existing provincial programs to avoid duplication, and (iii) recognizes the right of provincial governments for direct sponsorship of federal training and job development. The provinces believe provincial governments have a leadership role in developing training programs and that consultation and coordination are required to increase the responsiveness of training institutions to the needs of the market place. Provinces with a relatively weak industrial and economic base believe training institutions should be given higher prominence than the private sector for training to meet labour market needs. Finally, it is the view of the provinces that the real level of federal financial support should be maintained and enhanced, and provided on a multi-year basis.

At their annual Conference, the Provinces expressed concern that the federal budget and recent federal discussion papers in general do not give sufficient expression to the nine principles of economic development agreed to in Regina. Specifically, with respect to the Canadian Jobs Strategy, they suggest that more consultation is necessary before implementation. Proposed federal programs are expected to generate duplication, be insufficiently sensitive to the varying needs and/or capabilities of the different regions and prevent direct sponsorship of projects. Concern was also expressed that total available funding has declined.

B. Fiscal Transfers

The provincial governments are unanimous in the view that support for health and post-secondary education and/or national equalization payments should not be cut back as intended by the federal government. In their view, attempts to shift the federal deficit onto the backs of the people will not help the Canadian economy. Both orders of government serve the same taxpayers and offloading responsibilities and costs from one order to the other will not help in meeting service needs. They note the projected increasing demands on the health care system as the proportion of elderly Canadians increases in coming decades, and the increasing pressures which will be placed on the post-secondary education system for improved education and skills upgrading in the future. It is the view of the provinces that the federal and provincial governments must work cooperatively and effectively to ensure these needs are met. Provinces also believe the federal government has an important role to play, through the Established Programs Financing arrangements, in sustaining equitable levels of health and post-secondary service throughout the country. Federal cutbacks would not only be inconsistent with maintaining present levels of service, let alone meeting projected needs, they would challenge one of the key principles upon which our society is founded.

C. Monetary and Tax Policies

It is the provinces' view that monetary policy should be supportive of investment and growth, and that to achieve this objective, the dollar should be allowed to find its market level in response to economic forces. The provinces believe that the role of the Bank of Canada and the relationship between the Federal government and the Bank of Canada should be reviewed. At the same time, they would like the federal government to recognize the need for continuing provincial input in setting Canada's monetary policy. The provinces believe the tax system to be an important mechanism to foster economic growth, boost investor confidence and ensure fairness in society. They believe an important reform is necessary to ensure these objectives are met. Joint exploration of new concepts such as minimum tax and flat tax proposals included in both federal and a number of provincial budgets is favoured.

D. Trade

The Premiers did not issue a Communique on trade at their annual conference but their Communique on Agriculture and Fisheries referred to the need to stem the rising tide of protectionism facing Canadian exports in these sectors. Press accounts of the Premiers' Conference indicate that general support has developed for opening early negotiations with the United States on a comprehensive trade arrangement, with only Ontario calling for a delay in negotiations pending an impact study. Support for the concept of free trade ranges from strong advocacy by Alberta, British Columbia and Saskatchewan which view free trade as the best deal for their natural resources, to the Ontario position which fears free trade would jeopardize jobs in the manufacturing sector.

Reduced fiscal transfers to the provinces coupled with the possibility of increased adjustment problems in regional economies if a freer trading relationship with the U.S. were to come about, suggest that there may be strains in reconciling federal policies for promoting a healthier national economy with perceived regional imperatives.

4. BUSINESS AND LABOUR

The views of business and labour are presented here together as they have traditionally dealt with the same issues vis-à-vis the economy and the labour market and have been major voices in the policy-making process. More importantly, however, it is by presenting their views in tandem that a better appreciation can be gained of the potential for consensus building with the government and for an effective partnership in the day-to-day practice of business in the pursuit of shared goals.

The two-part table below prepared by Strategic Planning Division summarizes the positions of unions and employers and highlights areas of agreement and disagreement. This is based on a review of the official positions of key unions and employers associations,[1] on selected issues of direct relevance to EIC's mandate. The limitations of this approach are recognized, particularly the facts that (i) umbrella organizations are seldom able to impose their views and policies on affiliates, and (ii) official positions do not account for changes which occur during the course of private negotiations, or for the changes which occur over time.

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[1] With respect to unions, the views of the following groups were researched: the Canadian Labour Congress (CLC) and the Canadian Federation of Labour (CF of L) as umbrella organizations, which together include nearly two-thirds of unionized workers; the United Auto Workers (UAW), one of the most progressive industrial unions; the Canadian Union of Public Employees (CUPE), the largest union in Canada; and the Newfoundland-Labrador Federation of Labour, to reflect the views of a provincial federation.

With respect to employer associations, it was decided to include: organizations which speak for both large and small business: the Business Council on National Issues (BCNI), the Canadian Manufacturers' Association (CMA), the Canadian Chamber of Commerce (CCC), and the Canadian Federation of Independent Business (CFIB); and organizations which speak for particular sections of the economy, such as the Canadian Construction Association, the Canadian Bankers' Association, the Canadian Textiles Institute, and the Mining Association of Canada.

Table 20

Views of Business and Labour: Areas of Agreement and Disagreement

Issues	Agreement	Disagreement	
		Unions	Employers
Economic Analysis	Need for more flexibility in the economy.	Excessive reliance on big business and private investment; obsessive concern with inflation; preoccupation with international competitive position are at the roots of our difficulties. Priority should be given to reducing unemployment.	Inability to adjust quickly to changing international competition; too much, and misdirected government intervention in the economy; and; instability in economic policy have been the real barriers to growth. Priority should be given to the reduction of the deficit.
Free Trade with U.S.	Need for adjustment measures	Dependence on U.S. trade seen as sign of weakness and trouble in our economy. Oppose comprehensive trade agreement with U.S. in favour of multilateral agreements. Would support bilateral agreement with employment and production guarantees.	Enhanced access to U.S. market seen as opportunity for growth. Favour the pursuit of comprehensive agreement gradually implemented, while preserving economic and political integration. Models should stop short of customs unions or common markets. Recognize need for adjustment assistance and exclusion of sensitive sectors.
Role of Government	Need for increased partnership.	Support active interventionist gov't. and generally oppose deregulation. Methods of partnership range from increased consultation at all levels to the development of new economic planning concepts and apparatus.	Favour a curtailment of direct government activities, deregulation and greater emphasis on 'enabling' role of government. Overall, favours increased dialogue and consultation and less support for economic planning mechanisms than in unions.
Industrial Relations	Need to reduce the adversarial nature of industrial relations. Strong support for the collective bargaining process and the principle of worker participation.	Believe Government and Business want to weaken collective bargaining. Mitigated support for cooperative schemes proposed by business. Some disagreement on the role of collective bargaining in resolving worker participation issues. Some experimenting to expand role of unions outside employer-employee context.	Support more employee participation in decision-making, profit-sharing, and sharing of problems with unions. Sees limits to collective bargaining process.

Table 20 (cont'd)

Views of Business and Labour:
Areas of Agreement and Disagreement

Issues	Agreement	Disagreement	
		Unions	Employers
Supply of Labour Issues	Condemn current education policies and training programs. Need for an increased coordinated role for labour-management in this area.	CLC recommends levy-grant system to finance joint government-private sector training. Unions in favour of various forms of reduced work time measures, without loss of pay, for a ban on overtime and on more protection for part-timers	Oppose levy-grant system, preferring tax/incentives or grants. Oppose legislated reduced work time and more protective measures for part-timers.
Technology	Need to adopt new technologies and for labour participation in technology planning.	CLC wants strengthened legislation to protect jobs, allow for the participation of workers in decision-making and to guarantee workers shares in the benefits of technological change.	Prefer voluntarism
Social Issues	In principle, both agree on equality of employment opportunities. Both oppose quotas.	CLC wants legislation on employment equality. CLC wants UI regulations liberalized.	Against mandatory affirmative action. Want UI regulations tightened.
Immigration	Need to reinforce humanitarian principles and practices re: refugees and family reunification.	CLC concerned about increasing intake in isolation from policies to provide jobs for Canadians.	Emphasis on support for increased entrepreneurial immigration.
	Immigration is a possible solution to the problem of future population decline.	CF of L, however, disagrees.	

Partial Source: SPP/Strategic Planning Division paper: The Views of Industry and Labour on Selected Labour Market Issues, August 1985.

The comments which follow highlight the key conclusions of our analysis and shed additional light on the extent of consensus between the partners and within their respective associations.

Unions and business stand clearly apart on some fundamental issues such as: which of unemployment or deficit reduction should be the government's first priority, free trade with the US, the need for legislative action and/or extent of protection which should be extended workers in the areas of technology, equity and UI, or on whether policies aimed at reducing the supply of labour should be pursued as a means of addressing the high unemployment problem. It is important to note a significant difference between the two groups on the more general issue of social spending. Unions perceive Canada as a 'laggard' in social spending while industry believes that social spending has hampered economic growth. It is this position which underscores the divergent views of unions and business on legislative action, but as well as on regulation and collective bargaining.

While unions and business disagree on the principle of interventionist government and on the issue of regulation, positions are more mitigated than in respect of the above issues. For example, business groups favour retrenchment from the market, the labour market and simplification of labour legislation, but also recognize the important role that the State has played throughout Canadian history. Labour opposes deregulation. However, even the Canadian Labour Congress, which holds the strongest view on the interventionist role of the State, would like to see regulations assessed with respect to: administration and enforcement; adjudication procedures, clarity of language; public input; access to information; public scrutiny and accountability; and jurisdiction simplification. On the question of regulations in the area of collective bargaining, labour and business hold opposing views. Labour opposes regulations which might 'hedge in' the collective bargaining process; conversely, business seems to favour regulations which restrain collective bargaining.

Unions and business agree in principle on the importance of collective bargaining and increased worker participation and on the need to interact more frequently with government. However, they often disagree on the scope of action or mechanisms required. In some cases, agreement does not exist within unions or employer groups.

With respect to collective bargaining, both sides believe they should have the latitude to be able to determine wages and working conditions without government intervention. Both sides, except the CFIB, oppose incomes policies. Business' support for collective bargaining is tempered, however, by its concern with rising labour costs and cumbersome workforce regulations. Within the union movement, some, like the CLC, emphasize an expansion of collective bargaining to resolve employee involvement issues while others, like the CF of L, propose that these should be resolved through consultative mechanisms.

While both unions and business want increased worker participation, unions are uncertain about schemes proposed by business to increase employee participation in the affairs of firms. This may be because business is not prepared to go as far as unions would want. For example, the advice of the CMA to its member firms to involve employees in the affairs of the company is noteworthy for what it did not say. Nowhere is mention made of the desirability of labour participation in investment planning, production pricing, plant expansion, goal formulation and other issues that bear on the well-being of the workers and the firm. If increased worker participation is to be pursued as a goal, labour and management will have to make clear what they each mean. An area where this has not been worked out, but is particularly crucial, is the introduction of new technology. It is interesting to note that the issue itself is not as divisive as the media and others have claimed it to be. For, despite industry's determination to make the most of the new technology, and despite labour's grave concerns about its employment impact, both sides agree that (i) the new technology has enormous potential to improve life at work by, for instance, doing the dirty, dangerous and tedious jobs; (ii) Canada has no choice but to embrace micro-electronic technology in order to remain competitive in the international economy; and that (iii) labour must play a part in the process of planning technological change.

The will to interact more frequently with government is evident from both organized labour and industry. But the favoured mechanisms put forward by both sides vary significantly, even within each sector. For example, the Canadian Labour Congress wants a formal, economic planning apparatus established, but the Canadian Federation of Labour does not refer to economic planning. While industry generally would be content with more dialogue and consultation, some industry associations seem willing to engage in something more than dialogue with other partners.

If there is one issue that unites labour and management, it is the issue of education and training. Both sides believe that the Canadian education system is elitist, both believe that education must be related more closely to the needs of the economy, and both regard government-run programs as ineffective. There seems also to be general agreement that labour must be more involved in the design and implementation of training programs. The Canadian Labour Market and Productivity Centre and the Canadian Jobs Strategy represent responses to these concerns.

This review suggests that there are areas of agreement in principle and means, but there are a great many more areas where concrete and harmonized modes of resolution of the issues must be found if Canada's adjustment to change is to be successful.

There are an increasing number of examples where compromises between labour-management, at times involving government, have been achieved at the regional, industry or plant level with respect to issues which, in theory are contentious. Some of these include a work redesign project at Shell Chemical, a worker ownership scheme at Tembec Forest Products, investments by the Fonds de Solidarité des travailleurs du Québec in small and medium-sized businesses, the regional labour-management collaboration project of the Skeena Manpower Development Committee in Northern British Columbia, the Canadian Textile Labour-Management Committee, and the business-labour-government collaboration on lay-offs. It is felt, however, that to find mechanisms and build consensus at the macro-economic and sectoral policy levels will be difficult given the very fundamental divergence of views between labour and employees on the direction of economic policy, the role of the state and most importantly, the balance to be struck between economic and social goals.

5. INDIVIDUALS AND VOLUNTARY SECTOR INTEREST GROUPS

The overview on the concerns of the public presented in this section is a merging of data on public opinion, behavioural patterns and of issues of concern to the 'committed' public. The analysis draws heavily from (i) the Canadian Trend Report analysis of events and ideas covered in local Canadian newspapers (already referred to in the section on Lifestyles) (ii) a Research Digest prepared by the EIC Public Affairs Branch covering the results of several public opinion studies conducted between 1981 and 1985, and (iii) briefings prepared for EIC by Pat Delbridge Associates Inc., an expert observer of voluntary sector special interest groups.

As a result of the recession and changing economy, a noticeable shift seems to be occurring in the Canadian public's economic, social and political outlook. Canadians see this period as a period of transition marked by structural economic change, social discontinuity and institutional adjustment. Key beliefs and expectations of public policy of direct concern to EIC are summarized in Table 21 below.

The views of individuals are brought to the attention of policy makers in a variety of ways, such as through first-hand personal experience in family and community, individual appeals, the public release of public opinion polls and related studies, the coverage of events in the media from the local to the national levels, etc. However, it is primarily through the voluntary sector interest groups that these views are brought in a systematic and articulated form into the public policy debate. It is in this role as an important vehicle for placing issues on the public agenda that these groups were invited to participate as equal partners with business and labour at last winter's economic summit.

Table 21
Views and Expectations of Individuals

ISSUES	BELIEFS	EXPECTATIONS VIS-A-VIS PUBLIC POLICY
The Economy	° Long-term prospects are tied to an uncertain world economy undergoing structural changes. ° Canada may not be able to compete in the world economy. ° A return to former levels of growth and prosperity is unlikely. ° Uncertainty regarding whether high unemployment will persist in the long term. ° Personal job prospects and chances of improvement in purchasing power are uncertain for self and future generation (generating insecurity); ° Interest rates and inflation must be controlled. ° Deficit reduction is relatively unimportant; unemployment is Canada's biggest problem.	° Policies that strengthen Canada's international competitiveness are priorities and should be pursued at the expense of protectionist ones. ° Improvements in productivity are essential. Productivity must be defined broadly. ° Highest priority should be given to income security through the provision of jobs and incomes policy. ° Make work programs should be kept as short-term measures and long-term permanent job creation undertaken with the support of the private sector.
Institutions	° No one institution - particularly government - can respond alone to complicated economic and social problems. ° Top-down, unilateral government initiatives create uncertainty and instability. Ambivalence about the amount of government intervention needed. ° Unions rate as fair to poor in ensuring company survival and in cooperative efforts in economic planning. ° Corporations are oriented primarily towards their shareholders at the expense of all others. ° A balance between 'business-like' behaviour and efficiency and 'open government' to ensure fairness is needed. ° Extreme bureaucratization of government service delivery and lack of timeliness.	° Government should 'convene' interests rather than 'intervene' to dictate solutions; greater access to policy making for all social and economic actors should be encouraged; ° Voluntary sector should continue to be involved in government service delivery. ° To facilitate long-term development of employment opportunities, institutional barriers should be eased to encourage the free flow of capital and labour and cooperation across sectors. Solutions should include building on self-help initiatives rather than promoting dependency. ° Policy changes and regulatory mechanisms should contain provisions for consultation, prior notice and periodic review with respect to costs and effectiveness.
Supply of Labour Issues	° Job training initiatives deserve strong support. ° Unions' efforts in providing access to training less than satisfactory. ° On-the-job training is the prime responsibility of employers. ° Reduced worktime/worksharing and early retirement are solutions to unemployment, but issue clearly linked to concern about personal income security and individual choice.	° Priority should be given to preparing young people for the workforce in educational system over initiatives aimed at upgrading skills. ° 'Horizontally-integrated' institutional processes should be established to allow for the broader participation of business-labour-government in decisions on training, education, future skill requirements and on schemes for life-long learning. ° Proposals to reduce the supply of labour should be met positively, provided they incorporate guarantees.
Technology	° Technology will lead to higher unemployment, depersonalize the workforce and increase the need for training; ° Economic effects will lead to lower prices and improved quality products, but opinions split on whether it will lead to a stronger economy.	° Caution should be exercised, particularly in respect of public expenditure funds. Implications of technology development options to be examined carefully (particularly job displacing effects) before being implemented.
Social Issues	° There is a 'conspiracy against the poor' and market forces are not to be trusted. ° There has been a serious lack of progress on equity (some ambivalence about who the recipients of equity measures should be) and youth employment. ° Anti-immigration attitudes are growing. ° While there is a need to maintain the safety net system, public policy could hinder individual initiatives.	° Youth employment opportunities should have higher priority. ° Equal access legislation/contract compliance (including quotas) should be pursued. ° Proposals for changing the system of social benefits would be met with strong resistance if seen to be altering overall income distribution. ° Income support policies which minimize dependency would be preferred (e.g. an enhanced UI would be preferred to a Guaranteed Annual Wage).

Voluntary Sector interest groups have grown considerably and become very diversified in the recent past. Also, they have improved their ability to obtain the ear of public policy makers of all levels of government as a result of increasing professionalization and of their effective use of a variety of strategic approaches. Observers suggest that this phenomenon is symptomatic of, not only the important changes occurring in lifestyles and quality of life concerns, but of the strength in the beliefs themselves.

The Canadian Trend Report refers to voluntary sector interest groups as the 'informal polity.' A grass roots movement, often led by middle-class individuals, it represents the interests of the socially disadvantaged to become more integrated in the mainstream of society, the interests of the under-employed middle class increasingly fearful of being left out, as well as provide a focus for the defence of the perceived growing need to accommodate both economic and social goals in all areas of life in society.

Pat Delbridge Associates Inc., has classified the groups as follows:

(i) community groups oriented towards community health, safety or way of life. They come into existence when the status quo is threatened. Their strategies include: mobilizing the local media, sending letters/calling politicians or other relevant actors and mobilizing the community;

(ii) single-issue groups oriented towards a 'cause' which presents a threat to broader public safety, health, morality or life. Their strategies include creative, visible demonstrations, obtaining regional/national media coverage, requesting open hearing processes, the ballot box, running for office to place an issue on the agenda and lobbying local politicians;

(iii) advocacy groups which represent identifiable populations or issues. They are grounded in extensive networks and direct their actions at government. Their strategies include effective and regular media contact, access to political and bureaucratic power structures, research and public hearings.

(iv) public interest law groups are concerned about the regulatory process, class actions, public hearings. They also represent and train other interest groups, and carry out extensive research in support of legal actions, briefs, and reports. This is the most professionalized type of group.

(v) coalitions to defend the interests of a number of groups in focussed action through education/information, national and international media coverage and political lobbying.

(vi) **religious-affiliated groups** whose focus is to defend the disadvantaged, human rights and to challenge social and corporate policy. They act through hearings, corporate contact, shareholder resolutions and legal injunction.

According to Pat Delbridge, it can be expected that the trend towards the mobilization of special interests will continue, with an intensification of discussions of the role and function of the sector, the search for new ways of providing balanced representation and intensification of pressures on government for fair and equitable decision-making. Public opinion polls strongly suggest that voluntary sector interest groups enjoy high credibility among the public. This is also recognized by government.

It is important to note with Pat Delbridge that, in general, voluntary sector groups tend to be oriented towards social rather than economic issues. Many of the groups have an inadequate understanding of the economic implications of the position they espouse, or of their impact on other sectors of social or economic policies. However, the groups are often suspicious, or unwilling to accept cost-related arguments on such issues as Affirmative Action, part-time benefits, access for disadvantaged populations, etc.

An increasing number of groups are now being influenced by arguments put forward by the main church groups to the effect that the social or hidden costs of doing business have never been adequately identified, and that the present reward system (profit and growth) is not necessarily appropriate for today's environment. They tend to be unconvinced that the 'trickle down theory' whereby social benefits will follow from the attainment of economic growth objectives can be substantiated. The concern about unemployment is exacerbated by a lack of trust in large business and in the ability of the government to motivate the business community to expand its social responsibilities, particularly in respect of equity.

From the perspective of the partnership theme, it is important to take note that structural and dynamic elements set the voluntary sector as a phenomenon quite apart from, and more unpredictable than, the traditional institutions of labour, business and provincial governments: (i) it is fragmented; (ii) the interests of various populations are often of concern to a number of groups whose priorities and philosophy can vary; (iii) the media plays a key role in promulgating the prominence of any one group; (iv) at any one time the groups are not as well informed as other partners; and, (v) they tend to present positions in strong advocacy terms. These factors could tax the government and its other partners in attempts to understand and apportion credibility to the issues the voluntary sector brings to the fore and to develop appropriate strategies of consultation and consensus building.

6. SUMMARY

Federal Government

° To stimulate growth, three main issues are expected to predominate over the mid term:

(i) the promotion of employment creation through the private sector, with a thrust to reduce government interventions in the market and encourage the establishment and maintenance of viable firms;

(ii) the removal of obstacles to growth, including deficit reduction through increased revenues, reduced expenditures and increased efficiency and effectiveness in all areas of policy;

(iii) the enhancement of trade, complemented by measures to improve competitiveness and favour adjustment;

° Education and training issues are likely to remain important in the context of the need to improve productivity and to reduce impediments to growth;

- The interdependence between equity and social justice objectives and economic objectives will continue to be recognized, however, the pursuit of social objectives will reflect the need for greater fiscal responsibility;

- In social policy, there is a new orientation on the necessity to focus priority on those most in need, and to place increased stress on self-reliance. An enhanced role for government will be to provide the mechanisms to enable individuals to become self-reliant;

- There is expected to continue to be emphasis on improving opportunities for the disadvantaged and removing barriers to their participation in society;

- The pursuit of the goal of increased sharing of responsibility for managing Canada's business is being supported by a marked emphasis on consultation and consensus-building and a shift towards decentralization of the policy-making process;

- The task of maintaining an equilibrium between social and economic policy imperatives is expected to be difficult;

Provinces

- The Provinces are committed to the principle of partnership and to the need for a new and positive approach to federal-provincial relations;

- Federal-provincial relations are expected to continue to be dominated by the need to harmonize policies and reduce unnecessary and costly duplication, while respecting jurisdictions;

- From the perspective of the Provinces, partnership with the Federal government should be based on the principle that the achievement of national economic goals is best met by building on regional strengths;

- Priority should be given to jobs and the economy. Four issues are high on the agenda in the context of fostering growth: they are job development and training, fiscal transfers, monetary policy and tax

- Tensions are likely to occur in relation to how best to balance national economic imperatives with regional needs; tensions would be increased if the rate of growth of fiscal transfers to the provinces were to be reduced.

Business and Labour

- Unions and business stand clearly apart on fundamental issues such as which of unemployment (unions) or deficit reduction (business) should be the government's first priority, free trade with the U.S. (business in favour), the need for legislative action and/or extent of protection to be extended workers (unions in favour of strong role for government), or on whether policies aimed at reducing the supply of labour should be pursued to reduce high unemployment (unions in favour), and on the level of social spending (unions suggesting Canada lags behind other countries);

- Unions and business disagree on the principle of interventionist government, with business favouring less rather than more intervention. However, positions are more mitigated than for above issues;

- Both sides believe the collective bargaining process should not be interfered with by government. However, business' support for collective bargaining is tempered by concerns about labour costs and workforce regulations;

- Both unions and business want increased worker participation but there is difficulty in arriving at agreement on how to achieve this;

- Both unions and business agree on the need for technological change and on the need to plan its introduction cooperatively. Nevertheless, unions are very concerned about employment impacts;

- Both agree with the partnership theme but the favoured mechanisms vary significantly within and across each group;

- Unions and business both agree that education must be related more closely to the needs of the economy;

- It is expected that it will be difficult to build consensus between labour and business, and hence with government, as there are many more areas of disagreement than agreement between the two sides.

Individuals and Voluntary Sector Interest Groups

- The public has become increasingly pessimistic about the economy, in terms of the ability of the country to compete successfully in world markets, personal prospects and prospects for future generations;

- The public believes priority should be given to reducing unemployment over efforts to reduce the deficit;

- The public is ambivalent about the required degree of government intervention in the economy;

- Important improvements are seen to be required in the performance of business and labour unions in terms of cooperative efforts in economic planning;

- The public is increasingly unwilling to delegate authority to any one institution, and hence supports true partnership;

- There are indications that the public is leaning towards reduced work time and work sharing as a means of reducing unemployment;

- The public believes strongly that technology will lead to higher unemployment and depersonalize the work force;

- Security is a fundamental concern and hence there is a strong belief in the need to maintain and enhance social safety nets;

- There is concern over the lack of progress on equity, but some ambivalence as who the recipients of equity measures should be;

- Voluntary sector interest groups are becoming an increasingly important vehicle for bringing policy issues of concern to the public on the policy agenda. In general, they enjoy a high credibility among the public;

- Voluntary groups tend to be oriented towards social rather than economic issues and often fail to demonstrate a full understanding of the economic implications of the positions they espouse;

- There is a growing tendency to challenge the assumption that social benefits will follow from the attainment of economic growth;

- From the perspective of the partnership theme, voluntary sector interest groups as a phenomenon are less unified, more unpredictable and less well informed than traditional institutions; however,this is fast changing.

PART IV: CONCLUSION: FUTURE DIRECTIONS FOR SOCIETY

In this paper, trends in the socio-economic and labour market environments and the views and expectations of the key actors in society were presented. They constitute the planning environment within which EIC will operate in the mid-term and to which policies will need to respond to remain in tune with changing requirements. Trends in any one component of the planning environment may require responses tailored to it. However, it is the complexity within each of the component parts, the extensive interplay and cross-impacts which exist between them, combined with the wide diversity of views and expectations, which, together, create enormous challenges to policy making in our contemporary society. This is being further exacerbated by the ever faster pace of change which has taken place since the second world war and which has generated ever increasing uncertainty and a deep-rooted sense of vulnerability.

Some suggest that in the last three decades our societies have gone from an age of confidence to an age of uncertainty.

In the fifties and sixties, the desire to acquire plenty after the deprivation of the war years, fostered by a quantum leap in technological developments and the need to replace rundown social and economic infrastructures, led to fascination with the potential of the new technology, a faith in economic growth and confidence in the future, particularly in industrial countries. In a time where the future was seen as a continuation of the past, when resources were available, and when all problems were thought to be soluble, the focus of planning was on accommodating economic and physical growth. Manoeuverability existed to correct courses of action which may have gone awry.

Towards the end of the sixties and early seventies, the unanticipated side-effects of the economically and technologically-led development processes began to accumulate on the social and environmental sides. The concern of policy started to shift to rectifying these problems, which were still seen as manageable. Increasing recognition was being given to interdisciplinary approaches to problem resolution albeit within a centralized decision-making framework. Also, more concern for the national implications of regional developments began to emerge.

Then came the oil shock of late 1973 and quite suddenly, the planning environment became visibly global in nature. Since, Western societies have increasingly been reminded that economic and social developments are inextricably linked to activities taking place outside their own jurisdictions. At the same time, there has emerged a growing concern for the inadequacy of political and administrative institutions to respond to these conditions, both at the national and international levels. Furthermore, as strains developed in the global economy, as growth prospects slowed down. As consciousness sharpened about the social and ecological limits to growth, so did confidence start to decline worldwide about the appropriateness of past policy solutions to resolve the fundamentally different problems facing societies in the immediate and foreseeable future. This has become an age of uncertainty.

Some signs of adjustment to uncertainty are beginning to emerge. There is explicit awareness of the significance of the rest of the world for the development of any one society. There is also some shift to a less centralized more open procedure for planning. As well, planning is increasingly based on attempts to take more account of the interplay of an increasing number of variables in the planning environment. Policymakers increasingly are realizing there are new ways of asking questions and that new processes must be developed to solve problems. However, both at home and abroad there has not been sufficient movement yet to truly enable any one society to better survive in an uncertain world. As if this is an age of uncertainty, this is also an age of transition, a period of experimentation with new concepts and new tools.

There are many courses of action open from a continued emphasis on economic growth-technologically led processes, to a more balanced growth where economic and social goals are given equal weight in public policy, to a fundamental change in values. There are many perspectives among futurists about the preferred direction for societal change. For policymakers this is as well a matter of ideological choice. However, if futurists do not agree on the direction of change, there is substantial agreement that the choices that are made at this time in history, are likely to have important repercussions in terms of the type of society which is shaped for the future.

Before closing this volume, it is important to note that perceptions of the world and of the possible courses of action which could be taken to change it are very much influenced by what an ex-director of the Swedish Secretariat of Futures Studies has called the 'spirit of the age.' This is the cultural and perceptual context which circumscribes the understanding of the evolving environment as well as limits the range of options perceived to be possible. In other words, we are prisoners of our times.

For example, as long as labour market policy-makers were locked into trend extrapolation which focussed solely on the changes in the gap between supply and demand, and did not examine both the social forces behind these trends and their social consequences, there could be no appreciation of the social role of employment or work. Without this broader perception, it is difficult to discuss the social, and indeed economic, role of unpaid 'employment' from a policy perspective.

The spirit of the age can only stretch so far in recognizing and lending legitimacy to new problems and solutions. It can also limit the scope of action, even when such legitimacy has been granted. New policies designed to change component parts of the environment will only be successful if they work in concert with policies to change other parts by all concerned in society. As well, institutional machineries and processes must be changed to help effect these new policies. But just as there is an environmental pull, there is also an environmental drag on policy change. In an age characterized by discontinuity, departures from the past are essential. But, if it can no longer be assumed that past policies can smoothly continue, it must be recognized that these are real perceptual and institutional constraints on the direction which can be imprinted on change and on its pace.

POOR
QUALITY
ORIGINAL